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

Directors' Report and Audited Financial Statements
31 December 2019

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

CONTENTS **PAGE**

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

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to the equity holders of the Company	689,270	868,924

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

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

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of financial year ended 31 December 2018, final dividend of:	
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	250,241

The final dividend was declared on 5 April 2019 and paid on 12 June 2019.

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

Maybank Group ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. It was awarded to the participating Maybank Group employees who fullfill the eligibility criteria. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan ("ESGP Share") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

The maximum number of ordinary shares in Maybank available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

DIRECTORS

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

Datuk R. Karunakaran (Chairman)	
Mr. Antonio Cano (Vice Chairman)	(Appointed w.e.f. 3 February 2020)
Mr. Gary Lee Crist	
Dato' Johan Ariffin	
Dato' Amirul Feisal Wan Zahir	
Dato' Majid Mohamad	
Datuk Mohd Najib Abdullah	
Mr. Bart K. A. De Smet (Vice Chairman)	(Ceased w.e.f. 3 February 2020)

Pursuant to Article 101 of the Company's Constitution, the Directors appointed under the Provision of the Constitution shall not be subject to retirement by rotation under Section 205 of the Companies Act, 2016.

In accordance with Section 208(4)(a) of the Companies Act 2016, Mr. Antonio Cano will retire at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

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

DIRECTORS OF SUBSIDIARIES

The following is a list of Directors of the subsidiaries in office since the beginning of the financial year to the date of this report:

Subsidiaries	**Directors**
Etiqa General Insurance Berhad ("EGIB")	Datuk Mohd Najib Abdullah Mr. Frank J.G. Van Kempen Datuk Nora Abd. Manaf Mr. Koh Heng Kong Cik Serina Abdul Samad Ms. Daniela Adaggi
Etiqa Life Insurance Berhad ("ELIB")	Datuk Mohd Najib Abdullah Mr. Philippe Pol Arthur Latour Dato' Johan Ariffin Mr. Loh Lee Soon Mr. Frank J.G. Van Kempen Mr. Wong Pakshong Kat Jeong Colin Stewart
Etiqa Family Takaful Berhad ("EFTB")	Dato' Majid Mohamad Mr. Andrew King Sun Cheung Dato' Johan Ariffin Mr. Wong Pakshong Kat Jeong Colin Stewart Dr. Abdul Rahim Abdul Rahman Mr. Philippe Pol Arthur Latour Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican
Etiqa General Takaful Berhad ("EGTB")	Dato' Majid Mohamad Mr. Philippe Pol Arthur Latour Dato' Johan Ariffin Mr. Koh Heng Kong Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican Dr. Rusni Hassan
Etiqa Offshore Insurance (L) Ltd ("EOIL")	Mr. Frank J.G. Van Kempen Mr. Lee Hin Sze
Etiqa Life International (L) Ltd ("ELIL")	Mr. Frank J.G. Van Kempen Mr. Lee Hin Sze

DIRECTORS OF SUBSIDIARIES (CONTD.)

The following is a list of Directors of the subsidiaries in office since the beginning of the financial year to the date of this report (Contd.):

Subsidiaries (Contd.)	Directors (Contd.)
Etiqa Overseas Investment Pte Ltd ("EOIP")	Encik Ahmad Shaifuldin Mahamad Sharudi
Etiqa Insurance Pte. Ltd. ("EIPL")	Dato' Johan Ariffin Encik Kamaludin Ahmad Mr. Frank J.G. Van Kempen Mr. Wong Pakshong Kat Jeong Colin Stewart Haji Sallim Abd. Kadir Dr. John Lee Hin Hock
Double Care Sdn. Bhd. ("DCSB") (Under members' voluntary winding-up)	Dato' Aminuddin Bin Md Desa Hans De Cuyper

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those from the Maybank Group ESGP.

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

DIRECTORS' INDEMNITY

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

Premium paid for D&O policy

Coverage	Premium paid	
Limit of Liability - Group Policy	**2019 Gross Premium (RM'000)**	**2018 Gross Premium (RM'000)**
RM 250 Million	1,108	1,160

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares and ESGP of the ultimate holding company, Maybank during the financial year were as follows:

	Number of Ordinary Shares		
	As at 1 January 2019	**Issued pursuant to DRP***	**As at 31 December 2019**
Ultimate Holding Company			
Direct interest:			
Dato' Johan Ariffin	308,629	6,558	315,187
Dato' Amirul Feisal Wan Zahir	66,702	1,417	68,119
Datuk Mohd Najib Abdullah	3,882	82	3,964

* DRP = Dividend Reinvestment Plan

DIRECTORS' INTERESTS (CONTD.)

The Ultimate Holding Company has awarded the following ESGP Shares to the following Director:

	Award date	Number of ESGP shares awarded	Vesting year
Dato' Amirul Feisal Wan Zahir	14 December 2018	104,000	2021
	30 September 2019	104,000	2022
		208,000	

The ESGP Shares will be vested on the ESGP vesting date provided that all the ESGP vesting conditions are met.

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

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance as disclosed from page 9 to 27.

OTHER STATUTORY INFORMATION

(a) Before the Statements of Financial Position and Income Statements of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts;

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

(iii) to ascertain that there was adequate provision for the Insurance/Takaful contract liabilities of the Insurance and Takaful subsidiaries in accordance with:

(i) Malaysia operations
The valuation method specified in the Risk-Based Capital Framework for Insurers and Takaful Operators issued by BNM; and

(ii) Singapore operations
The valuation method specified in the Singapore Insurance Act and Insurance (Valuation and Capital) Regulations 2004.

OTHER STATUTORY INFORMATION (CONTD.)

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

  (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group inadequate to any substantial extent; and

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

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

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

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

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

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

(f) In the opinion of the Directors:

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

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

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

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

SIGNIFICANT EVENT

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

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 52 to the financial statements.

AUDITORS

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 February 2020.

DATUK R. KARUNAKARAN

DATO' AMIRUL FEISAL WAN ZAHIR

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors ("the Board") of Maybank Ageas Holdings Berhad ("the Company" or "the Group") acknowledges the importance of a robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. Amidst an increasingly challenging operating environment, the Board continuously strives to refine the Group's CG practices and processes in ensuring high standards of transparency, integrity and honesty.

The Company's CG Framework is premised upon the following statutory provisions, best practices and guidelines:

i) Companies Act 2016; and
ii) Policy on CG issued by Bank Negara Malaysia on 3 August 2016 ("BNM CG Policy").

Disclosures in this section are pursuant to Paragraph 22 of the BNM CG Policy.

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

(a) Board Composition

As at 31 December 2019, the Board consisted of seven (7) Directors, comprising of:-

i) one (1) Executive Director ("ED");
ii) two (2) Non-Independent Non-Executive Directors ("NINED"); and
iii) four (4) Independent Non-Executive Directors ("INED").

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. Datuk R. Karunakaran, an INED, is the Chairman of the Board, while Dato' Amirul Feisal Wan Zahir is the only ED on the Board and the two NINEDs are nominees of Ageas Insurance International N.V. ("Ageas"), a shareholder of the Company.

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

The Board meets on a quarterly basis, and the meeting dates are scheduled well in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on an ad hoc basis to consider urgent matters. All Directors attended at least 75% of Board meeting held during the financial year.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (Contd.)

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

Members of the Board	Designation	Number of Board Meetings attended	%
Datuk R. Karunakaran *(Chairman)*	INED	7/7	100
Mr. Bart K.A. De Smet *(Vice Chairman)*	NINED	6/7	86
Dato' Amirul Feisal Wan Zahir	ED	7/7	100
Mr. Gary Lee Crist	NINED	7/7	100
Dato' Johan Ariffin	INED	7/7	100
Dato' Majid Mohamad	INED	7/7	100
Datuk Mohd Najib Abdullah	INED	6/7	86

Profile of Directors

Name/ Designation/Age /Nationality	Background/ Experience	Other Directorships within the Group
Datuk R. Karunakaran Independent Non-Executive Director Chairman 69 years of age Malaysian	Public Administration	Nil
Mr. Bart K.A. De Smet Non-Independent Non-Executive Director Vice-Chairman 62 years of age Belgian	Insurance	Nil

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (Contd.)

Profile of Directors (Contd.)

Name/ Designation /Age /Nationality	Background/ Experience	Other Directorships within the Group
Dato' Amirul Feisal Wan Zahir Executive Director 50 years of age Malaysian	Banking	Nil
Mr. Gary Lee Crist Non-Independent Non-Executive Director 62 years of age U.S. Citizen	Corporate Management	Nil
Dato' Johan Ariffin Independent Non-Executive Director 60 years of age Malaysian	Property Development & Banking	• Director of Etiqa Life Insurance Berhad • Director of Etiqa General Insurance Berhad *(Ceased as Director w.e.f. 1 March 2019)* • Director of Etiqa Family Takaful Berhad • Director of Etiqa General Takaful Berhad • Chairman of Etiqa Insurance Pte. Ltd. *(Incorporated in Singapore)* *(Appointed w.e.f. 23 April 2019)*
Dato' Majid Mohamad Independent Non-Executive Director 65 years of age Malaysian	Banking & Insurance	• Chairman of Etiqa Family Takaful Berhad • Chairman of Etiqa General Takaful Berhad

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

(a) Board Composition (Contd.)

Profile of Directors (Contd.)

Name/ Designation /Age /Nationality	Background/ Experience	Other Directorships within the Group
Datuk Mohd Najib Abdullah Independent Non-Executive Director 59 years of age Malaysian	Banking & Insurance	• Chairman of Etiqa Life Insurance Berhad • Chairman of Etiqa General Insurance Berhad

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB" or "Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2019 ("FYE 2019").

(b) Roles and Responsibilities of the Board

The business and affairs of the Group are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Group. The Board also sets the Group's core values and adopts proper standards to ensure that the Group operates with integrity and complies with the relevant rules and regulations.

The roles and responsibilities of the Board are set out in the Company's Board Charter which is available on the Group's corporate website (www.etiqa.com.my).

(c) Board Committees Composition and Roles & Responsibilities

The Board had established Board committees to assist the Board in carrying out effective oversight of the operations and business affairs of the Group and the Company, namely:

i) Nomination and Remuneration Committee;
ii) Audit Committee of the Board;
iii) Risk Management Committee;
iv) Investment Committee;
v) Board Oversight Committee of Information & Technology; and
vi) Board Oversight Committee for Development

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

(i) Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") consists of a majority of INEDs and chaired by an INED.

The primary objectives of the NRC are to establish a documented, formal and transparent procedure for the nomination and appointment of new directors, Chief Executive Officer ("CEO"), Shariah Committee members, senior management and Company Secretary.

The Board via the NRC assesses the independence of INEDs prior to their appointments and re-appointments as part of the annual Fit and Proper Assessment exercise. Pursuant to the recommendation of the NRC based on the assessment undertaken for the financial year, the Board is satisfied that all the INEDs of the Board have met the independence criteria set out under the BNM CG Policy as well as Maybank's Directors' Independence Policy adopted by the Group. NRC engages a consulting firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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

In addition, the NRC is also responsible to provide a formal and transparent procedure in developing remuneration policies for directors, CEO and senior management and ensuring compensation is competitive and consistent with the Group's culture, objectives and strategy, and the industry standards.

The roles and responsibilities of the NRC are set out in its Terms of Reference which are available on the Group's corporate website (www.etiqa.com.my).

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

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

(i) Nomination and Remuneration Committee (Contd.)

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

Members of the NRC	Designation	Number of NRC Meetings attended	%
Dato' Johan Ariffin *(Chairman)*	INED[1]	7/7	100
Datuk Mohd Najib Abdullah	INED[2]	7/7	100
Mr. Gary Lee Crist	NINED	7/7	100
Dato' Majid Mohamad	INED[3]	0/0	N/A

[1] Appointed as Chairman w.e.f. 8 February 2019

[2] Ceased as Chairman w.e.f. 31 December 2018.

[3] Appointed as member w.e.f. 1 December 2019.

(ii) Audit Committee of the Board

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

The ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, reviews related-party transactions and conflicts of interest situations, assess the suitability, objectivity and independence of the Group's appointed external auditors and independently assesses the integrity of organisational wide management practices through the review of audit findings raised by the internal auditors, external auditors and/or regulators, ensuring that corrective actions, where necessary, are taken in a timely manner to ensure the Group's operations run in an effective and efficient manner as well as to safeguard the Group's assets and stakeholders' interests.

The roles and responsibilities of the ACB are set out in its Terms of Reference which are available on the Group's corporate website (www.etiqa.com.my).

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

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

(ii) Audit Committee of the Board (Contd.)

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

Members of the ACB	Designation	Number of ACB Meetings attended	%
Mr. Loh Lee Soon *(Chairman)*	INED[1]	8/8	100
Mr. Gary Lee Crist	NINED	7/8	88
Mr. Koh Heng Kong	INED[2]	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[3]	7/8	88

[1] INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of the Company.

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

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

(iii) Risk Management Committee

The Risk Management Committee ("RMC") consists of a majority of INEDs and chaired by an INED.

The RMC assists the Board in ensuring that the risk exposures and outcomes affecting the Group are effectively managed and addressed by the Board. More specifically, the RMC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group under the key risk categories of financial, insurance, operational and enterprise risks.

The roles and responsibilities of the RMC are set out in its Terms of Reference which are available on the Group's corporate website (www.etiqa.com.my).
The composition of the RMC and the attendance of its members at meetings during the financial year are as follows:

Members of the RMC	Designation	Number of RMC Meetings attended	%
Mr. Koh Heng Kong *(Chairman)*	INED[1]	9/9	100
Mr. Gary Lee Crist	NINED	9/9	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[2]	8/9	89

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

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

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

(iv) Investment Committee

The Investment Committee ("IC") consists of a majority of EDs and chaired by an ED.

The Board has established the IC as a governance body to oversee investment related activities.

The roles and responsibilities of the IC are set out in its Terms of Reference which are available on the Group's corporate website (www.etiqa.com.my).

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

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

[1] NINED of Etiqa Family Takaful Berhad and ED of Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.

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

(v) Board Oversight Committee of Innovation & Technology

The Board Oversight Committee of Innovation & Technology ("BOC IT") consists of four (4) members and chaired by an INED.

The BOC IT is a governance body which carries an oversight function for innovation and technology related activities.

The roles and responsibilities of the BOC IT are set out in its Terms of Reference which are available on the Group's corporate website (www.etiqa.com.my).

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

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

(v) Board Oversight Committee of Innovation & Technology (Contd.)

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

Members of the BOC IT	Designation	Number of BOC IT Meetings attended	%
Mr. Loh Lee Soon *(Chairman)*	INED[1]	7/7	100
Encik Kamaludin Ahmad	Member[2]	7/7	100
Encik Mohd Suhail Amar Suresh	Member[3]	6/7	86
Mr. Valer Merenyi	Member[4]	3/3	100
Mr. Vincent Rocard	Member[5]	4/4	100

[1] INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of the Company.

[2] CEO of the Company

[3] Group Chief Technology Officer, Maybank

[4] Regional Director, Digital Strategy and Solutions, Ageas (Appointed as member w.e.f 1 January 2019; ceased as member w.e.f. 30 June 2019)

[5] Regional Director, Digital Strategy and Solutions, Ageas (Appointed as member w.e.f. 1 July 2019)

(vi) Board Oversight Committee for Development

The Board Oversight Committee for Development ("BOC Development") was established w.e.f. 1 January 2019.

The BOC Development consists of four (4) members and chaired by an INED.

The BOC Development is a governance body which carries an oversight functions for development activities within the Group.

The roles and responsibilities of the BOC Development are set out in its Terms of Reference which are available on the Group's corporate website (www.etiqa.com.my).

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

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

(vi) Board Oversight Committee for Development (Contd.)

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

Members of the BOC Development	Designation	Number of BOC Development Meetings attended	%
Dato' Johan Ariffin *(Chairman)*	INED	8/8	100
Mr. Loh Lee Soon	INED[1]	7/8	88
Encik Kamaludin Ahmad	Member[2]	7/8	88
Mr. Goh Teong Yam	Member[3]	6/7	86

[1] INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of the Company.

[2] CEO of MAHB.

[3] Head, Group Property, Maybank (Appointed as member w.e.f 28 January 2019).

(d) Directors' Training

The Board acknowledges the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet the challenges facing the Board.

During the financial year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programmes for new Directors, namely the Induction Programme (in-house training) and Financial Institutions Directors' Education ("FIDE").

(i) Induction Programme

A comprehensive induction programme has also been established and coordinated by the Company Secretary to ease new Directors into their new role and to assist them in their understanding of the Group's business strategy and operational matters. New Directors are required to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one session with the Senior Management Committee members/Heads of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (Contd.)

(ii) Training Attended by Directors

The Board continues to assess the training needs of its Directors and identify key areas of focus for training programmes vide the Annual Board Assessment conducted at the beginning of each financial year.

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

	A. In-house Training	DK[1]	BDS[2]	DAF[3]	GLC[4]	DJA[5]	DMM[6]	DMN[7]
1	Etiqa Board Risk Workshop 2019	√		√			√	√
2	Etiqa Strategic Outlook: Business as Usual and Business Unusual	√		√	√	√	√	√
3	Etiqa: Workshop AMLA & CFT			√				
4	Etiqa Takaful Executive Development ("TED") Program 2019: Future-Ready Leadership and Succession Planning						√	
5	Etiqa TED Program 2019: Forum on Integrity as the Pillar of Shariah Compliance Culture in Islamic Financial Institutions – Moving Forward					√	√	
6	Etiqa TED Program 2019: Etiqa's Role in Preserving Environmental Sustainability						√	
7	Etiqa: IFRS 17: Overview and Its Impact to Etiqa			√			√	√
8	Maybank: Board Risk Workshop 2019			√				
9	Ageas Partnership Days 2019	√	√	√	√	√	√	√
10	Ageas Regional Agency Leader Forum				√			
11	Ageas Management Forum		√		√			
12	Ageas Leadership Program				√			
13	Ageas ALP Module 2				√			
14	Ageas Aksigorta: How Ageas UK uses the AutoML Platform Data Robot		√					
15	Ageas Aksigorta: Fighting Motor Insurance Fraud with Aksigorta		√					
16	Ageas Aksigorta: Data Science Webinar: How Aksigorta used Tensorflow & Tesseract to Classify Documents Automatically		√					
17	Ageas Corporate Centre: Ageas Data Analytics Leaders Summit		√					
18	Ageas Corporate Centre: Financial Targets Demystified		√					

[1] DK - Datuk R. Karunakaran
[2] BDS - Mr. Bart K.A. De Smet
[3] DAF - Dato' Amirul Feisal Wan Zahir
[4] GLC - Mr. Gary Lee Crist
[5] DJA - Dato' Johan Ariffin
[6] DMM - Dato' Majid Mohamad
[7] DMN - Datuk Mohd Najib Abdullah

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

(d) Directors' Training (Contd.)

(ii) Training Attended by Directors (Contd.)

B. External Training		DK[1]	BDS[2]	DAF[3]	GLC[4]	DJA[5]	DMM[6]	DMN[7]
1	BNM: FIDE Module A			√				√
2	BNM: FIDE Module B							√
3	BNM: FIDE: VBI – Directors Role						√	
4	BNM: FIDE Forum – Reading The Signs: The Next Financial Crisis and Potential Impact on Asia					√	√	
5	BNM: FIDE: Focus Group Discussion in Preparing for BNM FIDE Dialogue						√	
6	BNM: Dialogue with BNM Deputy Governor on draft Risk Management in Technology Policy						√	
7	BNM: BNM Annual Report Launch by Governor						√	
8	BNM: KL Islamic Financial Forum - Technology						√	
9	BNM: MyFintech Week (MFW)						√	
10	Bursa Malaysia: Invest Malaysia	√					√	
11	Bursa Malaysia: Board Risk Awareness Program	√						
12	Bursa Malaysia: Modernisation of Post Trade Infrastructure	√						
13	Bursa Malaysia: MSCI Seminar on Investing Trends and Opportunities	√						
14	Bursa Malaysia: Malaysia Economic and Market Outlook	√						
15	Bursa Malaysia: Market Opportunities for Digital Assets in Asia	√						
16	Bursa Malaysia: Including Low Latency Non-Directional Traders, Market Makers and Liquidity Providers in an Exchange Ecosystem	√						
17	Bursa Malaysia Sustainability Advocacy Programme: Workshop on The Recommendations of the Task Force on Climate-Related Financial Disclosures					√		
18	PIAM: IT Risk Management Training for Board Members' of Member Companies						√	
19	Asia Insurance Review: The Takaful Rendezvous 2019						√	
20	Asia Insurance Review: Asia CEO Insurance Summit						√	
21	Ernst & Young: MFRS 17 Understanding its Impact and Consequences						√	
22	Boston Consulting Group: Growth in Insurance		√					
23	Deloitte: Discussions on Governance		√					
24	Malaysia Code of Corporate Governance: Board Effective Assessment	√						
25	Sime Darby Property Berhad: Economy Update In EU / UK					√		
26	INCEIF: IFRS Round Table Discussion on Disaster and Conflict – Challenges for Islamic Finance						√	
27	Febelfin: De Raad van Bestuur in de Financiele Sector		√					
28	Morgan Stanley: European Financials Conference		√					
29	Goldman Sachs: Global Financials Conference		√					
30	Economic Outlook Dinner 2020		√					
31	Natixis: Focus Asian Macro		√					
32	Exance BNP Paribas: European CEO Conference		√					
33	Assuralia: CEO Event		√					
34	Organisation of the Future: Heart Times, A Call for Conscious Leadership		√					
35	Guberna: Strategic Conclave		√					
36	Etion: Change Makers of the Future		√					
37	Sime Darby Property Berhad: Training for Directors a. Update on Accounting Standards b. Malaysian Anti-Corruption Commission Act c. Reputation Resilience & Crisis Management : Out of Control but in Command – How to Manage the New Realities of Business					√		
38	PNB Leadership Forum 2019: Governance to Performance	√				√		√
39	PNB Board Workshop on IT Blueprint					√		
40	PNB: Strategic Assets Allocation (SAA) Workshop					√		
41	PNB Corporate Summit						√	√
42	10th World Congress of Council on Tall Buildings and Urban Habitat					√		
43	YTI Memorial Lecture: The Diverse Facets of Leadership	√						
44	CITI Group: Malaysia Investor Symposium			√				
45	Microsoft Team Training				√			
46	Microsoft Teams DEMO		√					

[1] DK - Datuk R. Karunakaran
[2] BDS - Mr. Bart K.A. De Smet
[3] DAF - Dato' Amirul Feisal Wan Zahir
[4] GLC - Mr. Gary Lee Crist
[5] DJA - Dato' Johan Ariffin
[6] DMM - Dato' Majid Mohamad
[7] DMN - Datuk Mohd Najib Abdullah

(3) INTERNAL CONTROL FRAMEWORK

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

(4) REMUNERATION - QUALITATIVE DISCLOSURES

a) Board Performance

In line with good corporate governance, the Board via the NRC has set out its intention to periodically review the Non-Executive Directors ("NED") remuneration as per Maybank's remuneration policy for Directors.

The Board believes the one area that the Board needs to focus on in order to remain effective in the discharge of its duties and responsibilities is the setting of a fair and comprehensive remuneration package commensurate with the expertise, skills, and responsibilities with being a director of a financial institution.

The remuneration package of NED consists of the following:

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

b) Senior Management Appointment and Performance

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

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

a) Non-Executive Directors' Remuneration

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

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

b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's Remuneration for FYE 2019 are disclosed in the Note 33 and 34 to the Group Financial Statements.

c) Remuneration Policy in respect of Officers of the Company

Maybank Group's total rewards philosophy goes beyond tangible rewards. It is integrated rewards strategy that focuses on the right remuneration, benefits and career development as well as progression opportunities at the right timing for employees' personal and professional aspirations. It involves a holistic integration of the total rewards' key elements that are aligned to the Group strategy, Group Human Capital strategy, culture and Core Values T.I.G.E.R.*, all critical to sustain employee engagement levels, productivity and business growth.

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

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

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

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

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

The target positioning of Base Pay is mid-market while target positioning for total compensation for a performer is to be within the upper range of market. Target positioning for benefits is mid-market. In certain markets/geographies, there may be exceptions for selected benefits with above mid-market positioning for strategic purposes. As the Group operates globally, it is essential that local legislation and practices are observed. Should any clause of any policy conflict with local legislation, local legislations shall take precedence.

Key Features of Remuneration Framework that Promotes Alignment between Risk and Rewards

The Group total compensation, comprising a mixture of Fixed and Variable elements (i.e. Variable Bonus and Long-term Incentive Plan) is designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome as well as individual's level and accountability.

The Company has strong internal governance on performance and remuneration of control functions which are measured and assessed independently from the business units they support to avoid any conflict of interests. The remuneration of staff in control functions are predominantly fixed to reflect the nature of their responsibilities. Annual reviews of compensation are benchmarked against market rate and internally to ensure that it is set at an appropriate level.

Performance Management principles ensure Key Performance Indicators ("KPI") continue to focus on outcomes delivered that are aligned to the business plans. Each of the Senior Officers and Other Material Risk Takers carry Risk, Governance & Compliance goals in their individual scorecard and are cascaded accordingly. Being a responsible organisation, the right KPI setting continues to shape the organisational culture, actively drive risk and compliance agendas effectively where inputs from control functions and Board Committees are incorporated into the sector and individual performance results.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

Long-term Incentive Award – Employees' Share Grant Plan

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

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

Corporate Governance – Remuneration practices

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

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

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

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

(a) an officer who is a member of senior management of the Group and the Company and who can materially commit or control significant amounts of the Group and the Company's resources or whose actions are likely to have a significant impact on its risk profile; or

(b) among the most highly remunerated officers in the Group and the Company.

Summary of financial year ended 2019 compensation outcome for those identified as Senior Officers and OMRTs:

Group

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Management")				
Cash-based	16	10,920	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	24	9,553	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			

The figures above exclude the Long- Term Incentive Award (combination of cash and shares) awarded in 2019 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

Company

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Management")				
Cash-based	10	6,967	Nil	Nil
Shares and share-linked instruments				
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	3	1,170	Nil	Nil
Shares and share-linked instruments				
Other	Nil			

The figures above exclude the Long- Term Incentive Award (combination of cash and shares) awarded in 2019 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

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

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

We, Datuk R. Karunakaran and Dato' Amirul Feisal Wan Zahir, being two of the directors of Maybank Ageas Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 241 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 February 2020.

DATUK R. KARUNAKARAN

DATO' AMIRUL FEISAL WAN ZAHIR

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

I, Lee Hin Sze (MIA membership no: 15432), being the officer primarily responsible for the financial management of Maybank Ageas Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 241 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed LEE HIN SZE
at Kuala Lumpur in Wilayah
Persekutuan on 17 February 2020

LEE HIN SZE
(MIA 15432)
Chief Financial Officer

Before me,

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jul 2018 - 31 Dis 2020
MALAYSIA

Commissioner for Oaths

No. 10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

197701002387 (33361-W)

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Maybank Ageas Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 December 2019, and a summary of significant accounting policies, as set out on pages 33 to 241.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the Corporate Governance disclosures, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

Information Other than the Financial Statements and Auditors' Report Thereon (Contd.)

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' responsibility for the audit of the financial statements

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

EY

Building a better working world

197701002387 (33361-W)

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

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

Building a better
working world

197701002387 (33361-W)

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

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

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

Other matters

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

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

Ahmad Hammami Bin Muhyidin
No. 03313/07/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
17 February 2020

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	124,065	120,943	1,149	843
Investment properties	4	914,550	890,672	-	-
Prepaid land lease payments	5	17,584	18,070	-	-
Right-of-use assets	6	23,119	-	-	-
Intangible assets	7	93,440	93,158	6	7
Investment in subsidiaries	8	-	-	2,488,438	2,412,323
Investment in associates	9	1,238	1,238	-	-
Investments	10	33,153,705	28,924,918	557,419	11,807
Financing receivables	12	278,332	262,365	3,231	2,083
Reinsurance/retakaful assets	13	3,447,732	3,132,102	-	-
Insurance/takaful receivables	14	593,180	514,020	-	-
Other assets	15	499,471	604,206	13,082	4,790
Derivative assets	16	35,151	4,124	-	-
Deferred tax assets	17	19,459	22,521	389	-
Current tax assets		152,886	135,037	-	-
Cash and bank balances		404,153	487,146	881	1,864
		39,758,065	35,210,520	3,064,595	2,433,717
Equity					
Share Capital	18	660,866	660,866	660,866	660,866
Reserves	19	5,955,988	5,379,339	2,382,716	1,759,301
Total Equity		6,616,854	6,040,205	3,043,582	2,420,167
Liabilities					
Insurance/takaful contract liabilities	20	29,844,344	25,799,681	-	-
Subordinated obligations	21	-	300,000	-	-
Expense liabilities	22	683,995	573,531	-	-
Derivative liabilities	16	-	15,463	-	-
Deferred tax liabilities	17	558,980	414,328	1,407	-
Insurance/takaful payables	23	642,361	566,452	-	-
Other liabilities	24	1,357,464	1,218,263	19,606	13,267
Interest/profit payable on subordinated obligations	21	-	1,189	-	-
Current tax liabilities		54,067	281,408	-	283
Total Liabilities		33,141,211	29,170,315	21,013	13,550
Total equity and liabilities		39,758,065	35,210,520	3,064,595	2,433,717

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	25	8,955,716	8,044,091	888,244	6,002
Gross earned premiums/ contributions	26(a)	7,461,364	6,641,683	-	-
Earned premiums/contributions ceded to reinsurers/retakaful	26(b)	(1,013,671)	(950,992)	-	-
Net earned premiums/ contributions	26	6,447,693	5,690,691	-	-
Fee and commission income	27	81,422	77,075	-	-
Investment income	28	1,357,549	1,259,760	888,244	6,002
Realised gains/(losses)	29	163,278	(452,455)	558	-
Fair value gains/(losses)	30	1,250,510	(61,794)	-	-
Other operating income/ (expenses), net	31	(56,465)	26,808	(1,665)	(1,162)
Other revenue		2,796,294	849,394	887,137	4,840
Gross benefits and claims paid	32(a)	(3,790,298)	(3,289,043)	-	-
Claims ceded to reinsurers/ retakaful	32(b)	539,694	404,798	-	-
Gross change in contract/ certificate liabilities	32(c)	(3,658,215)	(1,525,370)	-	-
Change in contract/certificate liabilities ceded to reinsurers/ retakaful	32(d)	342,508	15,574	-	-
Net benefits and claims		(6,566,311)	(4,394,041)	-	-
Management expenses	33	(885,247)	(811,798)	(45,733)	(58,842)
Reimbursement of shared services		30,774	45,326	30,774	45,326
Change in expense liabilities	36	(110,464)	(11,107)	-	-
Fee and commission expenses	37	(631,278)	(516,254)	-	-
Interest on subordinated obiligations		(5,535)	(24,092)	-	-
Tax borne by policyholders/ participants	38	(144,849)	(27,162)	-	-
Other expenses		(1,746,599)	(1,345,087)	(14,959)	(13,516)

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

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(loss) before taxation		931,077	800,957	872,178	(8,676)
Taxation	38	(234,111)	(85,740)	(3,254)	(1,401)
Zakat		(7,696)	(16,209)	-	-
Net profit/(loss) for the year		689,270	699,008	868,924	(10,077)
Profit/(loss) attributable to:					
Equity holders of the Company		689,270	699,008	868,924	(10,077)
Basic and diluted earnings per share (sen)	39	2.74	2.77	3.45	(0.04)

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

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net profit/(loss) for the year		689,270	699,008	868,924	(10,077)
Other comprehensive income:					
Item that may be subsequently reclassified to income statement					
Change in fair value of financial assets at Fair Value through Other Comprehensive Income ("FVOCI")		132,628	5,219	4,732	-
- Fair value changes		182,259	41,746	5,668	-
- Transfer to profit and loss upon disposal	29	60,259	(26,007)	558	-
- Fair value adjustments on FVOCI financial assets backing participants' funds		(33,734)	(4,975)	-	-
Tax effect relating to FVOCI financial assets	38	(72,224)	(5,545)	(1,494)	-
Reclassify from retained profits to FVOCI reserve		(3,932)	-	-	-
Currency translation differences		4,992	254	-	-
Share of other comprehensive income of Associates		-	-	-	-
Other comprehensive income for the year, net of tax		137,620	5,473	4,732	-
Total comprehensive income/ (losses) for the year attributable to equity holder		826,890	704,481	873,656	(10,077)

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

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

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

Group

	Note	Share Capital RM'000	FVOCI Reserve RM'000	Other Reserves RM'000	Retained Earnings: Non-Distributable Non-DPF Surplus RM'000	Retained Earnings: Distributable Retained Profits RM'000	Retained Earnings: Sub-total Retained Profits RM'000	Total Equity RM'000
At 1 January 2019		660,866	1,187	52,139	922,723	4,403,290	5,326,013	6,040,205
Net profit for the year		-	-	-	186,960	502,310	689,270	689,270
Other comprehensive income for the year		-	132,628	4,992	-	-	-	137,620
Total comprehensive income		-	132,628	4,992	186,960	502,310	689,270	826,890
Transfer from non-par surplus upon recommendation by the Appointed Actuary		-	-	-	(333,187)	333,187	-	-
Reclassify from retained profits to FVOCI reserve		-	3,932	-	-	(3,932)	(3,932)	-
Dividend on ordinary shares	40	-	-	-	-	(250,241)	(250,241)	(250,241)
At 31 December 2019		660,866	137,747	57,131	776,496	4,984,614	5,761,110	6,616,854

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Group

					Retained Earnings			
	Note	Share Capital RM'000	FVOCI Reserve RM'000	Other Reserves RM'000	Non-Distributable Non-DPF Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Profits RM'000	Total Equity RM'000
At 1 January 2018		660,866	(4,032)	52,169	1,769,633	3,107,329	4,876,962	5,585,965
Net profit for the year		-	-	-	157,375	541,633	699,008	699,008
Other comprehensive losses for the year		-	5,219	254	-	-	-	5,473
Total comprehensive income/(losses)		-	5,219	254	157,375	541,633	699,008	704,481
Transfer from revaluation reserves upon disposal investment property		-	-	(284)	-	284	284	-
Transfer from non-par surplus upon recommendation by Appointed Actuary		-	-	-	(1,004,285)	1,004,285	-	-
Dividend on ordinary shares	40	-	-	-	-	(250,241)	(250,241)	(250,241)
At 31 December 2018		660,866	1,187	52,139	922,723	4,403,290	5,326,013	6,040,205

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

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

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

Company

	<-------- Non-distributable	------>		
	Share Capital RM'000	FVOCI Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 January 2019	660,866	-	1,759,301	2,420,167
Net profit for the year	-	-	868,924	868,924
Other comprehensive income for the year	-	4,732	-	4,732
Total comprehensive income	-	4,732	868,924	873,656
Dividend on ordinary shares	-	-	(250,241)	(250,241)
At 31 December 2019	660,866	4,732	2,377,984	3,043,582
At 1 January 2018	660,866	-	2,019,619	2,680,485
Net losses for the year	-	-	(10,077)	(10,077)
Total comprehensive income	-	-	(10,077)	(10,077)
Dividend on ordinary shares	-	-	(250,241)	(250,241)
At 31 December 2018	660,866	-	1,759,301	2,420,167

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		931,077	800,957	872,178	(8,676)
Adjustments for:					
Amortisation of:					
- intangible assets	33	14,357	12,240	1	1
- prepaid land lease payments	33	486	487	-	-
Accretion of investment		18,917	-	300	-
Depreciation of property, plant and equipment	33	14,166	14,527	118	117
Right-of-use expenses:					
- Depreciation	33	8,977	-	-	-
- Lease liability interest	33	787	-	-	-
Fair value (gains)/losses on:					
- investment	30	(1,229,428)	93,502	-	-
- investment properties	30	(21,082)	(31,708)	-	-
(Gains)/losses on disposal of:					
- investments	29	(163,278)	456,276	(558)	-
- investments properties	29	-	183	-	-
- property, plant and equipment	29	-	(4,004)	-	-
Gross dividend income	28	(63,184)	(76,204)	(875,000)	-
Interest/profit and rental income	28	(1,311,023)	(1,195,622)	(14,834)	(6,002)
(Reversal of impairment losses)/ impairment losses on:					
- receivables	31	273	(5,194)	594	899
- insurance receivables	31	17,381	2,087	-	-
- financing receivables	31	(836)	-	-	-
- debt securities	31	580	281	363	-
- others		-	616	-	-
Recovery of bad debts	31	(1,916)	(6,729)	-	-
Taxation of Life and Takaful funds	38	144,849	27,162	-	-
Losses/(gain) on foreign exchange:					
-realised	31	10,289	9,640	-	329
-unrealised	31	37,492	(13,032)	890	71
Operating (loss)/profit before changes in assets and liabilities		(1,591,116)	85,465	(15,948)	(13,261)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Purchase of investments	(1,373,007)	(2,989,201)	(525,107)	-
Net (increase)/decrease in fixed and call deposits	(111,555)	32,504	(15,618)	60,341
(Increase)/Decrease in reinsurance assets	(336,951)	(98,041)	-	-
(Increase)/Decrease in financing receivables	(9,242)	(4,149)	(1,605)	(967)
(Increase)/Decrease in Insurance /Takaful receivables	(28,931)	127,560	-	-
(Increase)/Decrease in other assets	222,739	1,461,495	(674)	(4,602)
Increase/(Decrease) in insurance payables	12,791	63,290	-	-
Increase/(Decrease) in other liabilities	13,069	127,276	5,027	6,455
Increase/(Decrease) in expense liabilities	110,464	(48,832)	-	-
Increase/(Decrease) in Insurance/ Takaful contract liabilities	3,359,544	1,239,170	-	-
Foreign exchange effects	93	229	-	-
Increase in derivatives	-	(5,312)	-	-
Investment income received	1,048,043	1,297,072	882,968	6,170
Tax paid	(547,230)	(104,692)	(3,245)	(126)
Zakat paid	(11,965)	-	-	-
Mudharabah paid	(45,373)	(72,681)	-	-
Net cash generated from operating activities	711,373	1,111,153	325,798	54,010

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)

		Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital (injection)/repayment in subsidiary		-	-	(76,116)	195,148
Purchase of intangible assets	7	(13,731)	(22,994)	-	(8)
Purchase of property, plant and equipment	3	(18,554)	(16,214)	(424)	(505)
Proceeds from disposal of intangible assets		300	2,085	-	-
Purchase of investment properties	4	(2,796)	(110,052)	-	-
Proceeds from disposal of investment properties		-	337	-	-
Proceeds from disposal of property, plant and equipment		32	11,082	-	-
Net cash used in investing activities		(34,749)	(135,756)	(76,540)	194,635
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of dividends	40	(250,241)	(250,241)	(250,241)	(250,241)
Interest paid on subordinated obligation	21	(1,189)	(20,650)	-	-
Redemption of subordinated obligation	21	(300,000)	(500,000)	-	-
Lease liabilities	6	(8,826)	-	-	-
Net cash used in financing activities		(560,256)	(770,891)	(250,241)	(250,241)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTD.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (decrease)/increase in cash and cash equivalents	116,368	204,506	(983)	(1,596)
Effects of exchange rate changes	(199,361)	(129,192)	-	-
Cash and cash equivalents at beginning of year	487,146	411,832	1,864	3,460
Cash and cash equivalents at end of year	404,153	487,146	881	1,864
Cash and cash equivalents comprise:				
Cash and bank balances of:				
Shareholders' and general funds	120,350	190,544	881	1,864
Life fund	130,354	130,956	-	-
General takaful fund	33,260	62,114	-	-
Family takaful fund	120,189	103,532	-	-
	404,153	487,146	881	1,864

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 February 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The Group and the Company have adopted those MFRSs amendments to MFRSs and interpretation effective for the annual periods beginning on or after 1 January 2019 as disclosed in Note 2.3.

The Company's subsidiaries, Etiqa General Insurance Berhad ("EGIB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa General Takaful Berhad ("EGTB") have met the minimum capital requirements as prescribed by the RBC Frameworks for Insurers and Takaful Operators issued by BNM, as at the reporting date.

Etiqa Insurance Pte. Ltd. ("EIPL"), the Singapore subsidiary has also met the minimum capital requirements as prescribed by the RBC Frameworks for Insurers issued by the Monetary Authority of Singapore ("MAS"), as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (Contd.)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimate 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.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

(a) Insurance and Takaful contract liabilities

The above are reference to note 2.2(xvi), note 2.2(xvii) and note 2.2 (xviii). The notes present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details of the key assumptions applied and a sensitivity analysis of the carrying amounts of the General Insurance and Takaful, the Life Insurance and Family Takaful liabilities to changes in assumptions are disclosed in Note 46 to the financial statements.

(b) Valuation of investment properties, as described in note 2.2(v).

(c) Impairment losses on financial assets, as described in note 2.2(x).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(i) Basis of consolidation

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

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

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

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

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

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

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

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

Subsidiaries are consolidated using the acquisition method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Basis of consolidation (Contd.)

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

(ii) Investment in subsidiaries

Subsidiaries are entities controlled by the Company.

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

(iii) Associates

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Associates (Contd.)

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Properties, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group or the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Work-in-progress are also not depreciated as these assets are not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the assets begins.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(v) Investment properties

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

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

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to self-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied properties to investment properties, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(iv) up to the date of change in use. Where the fair value of the property exceeds its carrying amount, the difference or revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.
Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC are determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations are performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Leases

(a) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item to the Group. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(b) Finance leases - the Group as lessee

The useful lives of all leasehold buildings are shorter than the lease terms of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Group at the end of their useful lives. Accordingly, all leasehold buildings are classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the Group's statements of financial position and are measured in accordance with MFRS 116 *Property, Plant and Equipment* and MFRS 140 *Investment Properties*.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Leases (Contd.)

(c) Operating leases - the Group as lessor

Assets leased out under operating leases are presented in the statements of financial position according to the nature of the assets. Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

(d) Operating leases - the Group as lessee

Before 1 January 2019

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

Beginning 1 January 2019

Upon implementation of MFRS 16 *Leases* on 1 January 2019, the lessees are required to perform the right-of-use assessment to all the leases whether it shall be recorded as either under a single on-balance sheet model or recognition to profit or loss. The lease accounting is as follow:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Leases (Contd.)

(a) Right-Of-Use Assets ("ROU") (Contd.)

The Group and the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Group and the Company are reasonably certain to exercise that option. Unless the Group and the Company are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

(b) Lease liabilities

At the commencement date of the lease, the Group and the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance, fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating a lease, if the lease term reflects the Group and the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Leases (Contd.)

(b) Lease liabilities (Contd.)

In calculating the present value of lease payments, the Group and the Company uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

The Group and the Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Leases (Contd.)

(c) Significant judgement in determining the lease term of contracts with renewal options (Contd.)

The Group and the Company has applied the following practical expedients permitted by the standard to leases:-

(i) Leases with a lease term of 12 months or shorter;

The Group and the Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date that does not have renewable clause options and purchase options.

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

The Group and the Company also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value and are recognised as expense in profit and loss on a straight-line basis over the lease term.

(iii) Leases with variable lease payments

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

The Group and the Company is to recognise the lease payments when incurred profit or loss for the leases that do not meet the ROU assessment and for which it has applied the exemptions as permitted by the standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vii) Intangible assets

Intangible assets include software development costs, computer software and licences. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Amortisation is charged to the profit or loss. Work-in-progress are also not depreciated as these assets are not available for use.

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

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

(a) Software development costs

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

(b) Computer software and licences

The useful lives of computer software and licences are amortised using the straight line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial assets

(a) Date of recognition

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

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

(b) Initial and subsequent measurement

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

(i) Business model assessment

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

The Group and the Company hold financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group and the Company consider the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Group and the Company's business model are not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors and is determined by the key management personnel on the basis of both:

- the way that assets are managed and their performance is reported to them; and
- the contractual cash flow characteristics of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial assets (Contd.)

(b) Initial and subsequent measurement (Contd.)

(i) Business model assessment (Contd.)

The expected frequency, value and timing of asset sales are also important aspects of the Group and the Company's assessment. The Group and the Company should assess its business models at each reporting period in order to determine whether the models have changed since the preceding period.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial assets (Contd.)

(b) Initial and subsequent measurement (Contd.)

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

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

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

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

(iii) Classification of financial assets

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

(a) Financial assets at FVTPL

Financial assets in this category are those financial assets that are held for trading or financial assets that qualify for neither held at AC nor at FVOCI. This category includes debt instruments whose cash flow characteristic fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both collect contractual cash flows and sell. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial assets (Contd.)

(b) Initial and subsequent measurement (Contd.)

(iii) Classification of financial assets (Contd.)

(b) Financial assets at FVTPL (Contd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest/profit and dividend income. Exchange differences, interest/profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

(c) Financial assets at FVOCI

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial assets (Contd.)

(b) Initial and subsequent measurement (Contd.)

(iii) Classification of financial assets (Contd.)

(d) Financial assets at AC

Financial assets in this category are those financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest/profit.

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using effective interest method. Exchange differences, interest/profit and dividend income on financial assets at AC are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. On derecognition, any gains or losses are recognised in profit or loss.

(c) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ix) Fair value of financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

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

For non-exchange traded financial assets such as unquoted fixed income securities, i.e. unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb and Malaysia Retail Bond Portal provided by the Bond Pricing Agency Malaysia ("BPAM"). In the case of any downgraded or defaulted bond, internal valuations will be performed to determine the fair value of the bond. The fair values of structured deposits are based on market prices obtained from the respective issuers. The market value of Negotiable Certificates of Deposit ("NCD")/Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment

(a) Financial assets

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(a) Financial assets (Contd.)

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

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

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

(ii) Forward looking information and ECL measurement

The amount of credit loss recognised is based on forward looking estimates that reflect current and forecast credit conditions. The Forward looking adjustment is interpreted as an adjustment for the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement. A forward looking ECL calculation should be based on an accurate estimation of current and future probability of default ("PD"), exposure of default ("EAD"), loss given default ("LGD") and discount factors.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(a) Financial assets (Contd.)

(ii) Forward looking information and ECL measurement (Contd.)

Loans, advances and financing

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

Insurance/Takaful receivables

The impairment on Insurance/Takaful receivables are measured at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the Insurance/Takaful and reinsurance/retakaful receivables are grouped based on different sales channel and different reinsurance premium type's arrangement respectively. The impairment is calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates is to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. Forward looking information has been included in the calculation of ECL.

Financial assets at FVOCI and AC

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(a) Financial assets (Contd.)

(ii) Forward looking information and ECL measurement (Contd.)

Financial assets at FVOCI and AC (Contd.)

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

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

(b) Non-financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(b) Non-financial assets (Contd.)

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

(xi) Reinsurance/retakaful assets

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xii) Insurance/Takaful receivables

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

If there is objective evidence that an Insurance/Takaful receivable is impaired, the Group reduces the carrying amount of the Insurance/Takaful receivable accordingly and recognises that impairment loss in profit or loss. Objective evidence of impairment for Insurance/Takaful receivables and the determination of consequential impairment losses are as described in Note 2.2(x).

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

(xiii) Cash and cash equivalents

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

(xiv) Equity instruments

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

(xv) Product classification

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) Product classification (Contd.)

An Insurance/Takaful contract is a contract under which an entity has accepted significant insurance or takaful risk from another party (the policyholders or the participants) by agreeing to compensate the policyholders or participants if a specified uncertain future event (the insured event) adversely affects the policyholders/participants. As a general guideline, the Insurance/Takaful subsidiaries of the Group define whether significant Insurance/Takaful risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the Insurance and Takaful risk accepted is deemed to be significant.

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) Product classification (Contd.)

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

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

(xvi) General Insurance/General Takaful contract liabilities

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

(a) Claim liabilities

Claim liabilities represent the Group's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities comprise the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate and include a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

Provision for claims reported are recognised upon notification by policyholders/participants or claimants.

Claim liabilities are determined based upon valuations performed by the Appointed Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General Insurance/General Takaful contract liabilities (Contd.)

(b) Premium/contribution liabilities

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

General Insurance business

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

- **UPR**

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

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

  - all other classes of business, except treaty, using time-apportionment basis over the period of the risks, after deducting commissions, not exceeding limits specified by BNM; and

  - all other classes of treaty business with a deduction of commission; at the following bases:
    i) 1/8th method for quaterly statement
    ii) 1/24th method for monthly statement

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General Insurance/General Takaful contract liabilities (Contd.)

(b) Premium/contribution liabilities (Contd.)

<u>General Insurance business (Contd.)</u>

- **URR**

  The URR is prospective estimate of the expected future payments arising from future events insured under policies in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds. URR is estimated via an actuarial valuation performed by the Appointed Actuary.

<u>General Takaful business</u>

In accordance with the valuation requirements of RBCT Framework, contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all lines of business or the best estimate value of the URR at the end of the financial year and a PRAD as prescribed by BNM.

- **UCR**

  UCR represent the portion of the contributions of Takaful certificates written, net of the related retakaful contributions ceded to qualified operators, that relate to the unexpired periods of the certificates at the reporting date.

  In determining short-term UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used as follows:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General Insurance/General Takaful contract liabilities (Contd.)

(b) Premium/contribution liabilities (Contd.)

General Takaful business (Contd.)

- **UCR (Contd.)**

  - all other classes of general business, using time-apportionment basis over the period of the risks, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

Wakalah

The UCR for wakalah business is calculated on contribution with a further deduction for wakalah management expense to reflect the wakalah business principle.

- **URR**

The URR is a prospective estimate of the expected future payments arising from future events insured under certificates in force as at the reporting date and also includes allowance for expenses, including overheads and cost of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds. URR is estimated via an actuarial valuation performed by the Appointed Actuary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) Life Insurance contract liabilities

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xviii) Family Takaful certificate liabilities

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

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

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

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

The liabilities in respect of the non-unit component of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the certificate level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The liabilities of the unit component is the NAV of the fund.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xix) Financial liabilities

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

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

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

The Group and the Company's other financial liabilities include Insurance/Takaful payable, other payables and subordinated obligation. Other payables are subsequently measured at amortised cost using the effective interest/profit method.

Subsequent to initial recognition, subordinated obligation is recognised at amortised cost using the effective interest/profit method. Subordinated obligation is classified as current liabilities unless the Group and the Company have a conditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xx) Expense liabilities

The expense liabilities of the shareholder's fund of the Takaful subsidiary consist of expense liabilities of the General and Family Takaful funds which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the Takaful certificates and recognised in profit or loss.

(a) General Takaful business

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

(1) Provision for unearned wakalah fees

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

(2) Unexpired expense reserves

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xx) Expense liabilities (Contd.)

(b) Family Takaful fund

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

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

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

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

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

(2) <u>Unexpired expense reserves</u>

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxi) Measurement and impairment of Qard

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

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

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

(xxii) Insurance/Takaful payables

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

(xxiii) Offsetting of financial assets and financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxiv) Premium/contribution income

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

(a) General Insurance/General Takaful business

Premium/contribution income is recognised in the financial year in respect of risks assumed during that particular financial year. Premiums/contributions from direct business are recognised during the financial year upon the issuance of debit notes. Premiums/contributions in respect of risks incepted for which debit notes have not been issued as of the reporting date are accrued at that date.

Inward facultative reinsurance premiums/retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies/certificates, following the individual risks' inception dates.

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

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

(b) Life Insurance/Family Takaful business

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxiv) Premium/contribution income (Contd.)

(b) Life Insurance/Family Takaful business (Contd.)

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

(xxv) Benefits and claims expenses

(a) General Insurance/Takaful business

Claim expenses represent compensation paid or payable on behalf of the insured certificate holders in relation a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting year even if they had not been reported to the Group.

(b) Life Insurance/Family Takaful business

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

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

- maturity and other policy/certificate benefit payments due on specified dates are treated as claims payable on the due dates; and
- death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Commission expenses and acquisition costs

(a) General Insurance business

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

(b) General Takaful business

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

Mudharabah principle

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

Wakalah principle

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

(c) Life Insurance business

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

(d) Family Takaful business

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Commission expenses and acquisition costs (Contd.)

(d) Family Takaful business (Contd.)

Mudharabah principle

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

Wakalah principle

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

(xxvii) Other revenue recognition

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Other revenue recognition (Contd.)

(a) Interest/profit income

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

(b) Dividend income

Dividend income is recognised at a point of time when the Group's and the Company's right to receive payment is established.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Fund management fees

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

(e) Management fees

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

(f) Wakalah fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxviii) Fee and commission income

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

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

Commission income is derived from reinsurers in the course of ceding premiums to reinsurers.

(xxix) Employee benefits

(a) Short-term benefits

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

(b) Long term employee benefits

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

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

(c) Defined contribution plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxix) Employee benefits (Contd.)

(d) Share-based compensation

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxx) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxx) Foreign currencies (Contd.)

(c) Foreign operations

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

- assets and liabilities of foreign operations presented are translated at the closing rate prevailing as at the reporting date;
- income and expenses are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

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

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

	31.12.2019	31.12.2018
Singapore Dollar	3.04	3.03
100 Pakistan Rupee	0.03	0.03
United States Dollar	4.09	4.14
Brunei Dollar	3.04	3.03

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxxi) Income tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and included in profit or loss, except when it arises from a transaction which is recognised directly in equity/insurance contract liabilities, in which case the deferred tax is also recognised directly in other comprehensive income/insurance contract liabilities, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(xxxii) Zakat

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Amendments to MFRS

At the beginning of the current financial year, the Group and the Company adopted the following MFRS amendments to MFRSs and Interpretation which are mandatory for the financial periods beginning on or after 1 January 2019:

MFRS 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)
MFRS 16 *Leases*
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
Annual Improvements to MFRSs 2015-2017 Cycle
- (i) MFRS 3 *Business Combinations*
- (ii) MFRS 11 *Joint Arrangements*
- (iii) MFRS 112 *Income Taxes*
- (iv) MFRS 123 *Borrowing Costs*

MFRS 119 *Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)
IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The adoption of these MFRSs amendments to MFRSs and Interpretation are as disclosed in Note 2.5.

2.4 Standards and amendments to standards issued but not yet effective

The following are Standards, Amendments to Standards, issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intends to adopt these standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3 - *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 - *Definition of Material*	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139 - *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): *Sale or Contribution of Assets between an investor and its Associate or Joint venture*	Deferred

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

The Group and the Company do not expect that the adoption of the above pronouncements will have any significant financial impacts in future financial statements other than the following:

MFRS 17 *Insurance Contracts*

MFRS 17 will replace MFRS 4 Insurance Contracts that was issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 17 *Insurance Contracts* (Contd.)

The standard is effective for annual periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. An entity shall apply MFRS 17 retrospectively for estimating the CSM on the transition date. However, if full retrospective approach application for estimating the CSM , as defined by MFRS 108 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

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

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

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

The Group has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business sectors to study the implications and to evaluate the potential impact of adopting this standard on the required effective date. The Group believes that it is achieving the relevant milestones in adopting this new standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 CHANGES IN ACCOUNTING POLICIES - MFRS 16 *LEASES*

MFRS 16 *Leases*

MFRS 16 replaces MFRS 117 *Leases,* IC Interpretation 4 *Determining whether an Arrangement contains a Lease,* IC Interpretation 115 *Operating Leases — Incentives and* IC Interpretation 127 *Evaluating the Substance of Transactions involving the Legal Form of a Lease.* MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessee to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessor will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117 and IC interpretation 4 at the date of initial application. Therefore, MFRS 16 did not have any significant impact for leases where the Group or the Company is the lessor.

Leases previously classified as operating lease - The Group and the Company as lessee

On 1 January 2019, the Group and the Company applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restating prior year/period comparative information which remain as previously reported under MFRS 117 and related interpretations. The Group and the Company also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application. The Group and the Company have elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there was no impact to the retained earnings brought forward as at 1 January 2019.

The Group and the Company elected the following transition practical expedients on a lease-by-lease basis for measurement purposes on first-time application of the standard:

(1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;

(2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;

(3) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and

(4) The Group and the Company used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

There was no financial impact of the adoption of MFRS 16 on the financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 CHANGES IN ACCOUNTING POLICIES - MFRS 16 *LEASES* (CONTD.)

MFRS 16 *Leases* (Contd.)

FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF MFRS 16 *LEASES*

(i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position items of the Group:

A reconciliation of the operating lease commitments as at 31 December 2018 to the lease liabilities recognised in the statement of financial position as at 1 January 2019 is shown as below:

Reconciliation of lease liabilities:

	Group RM'000
Operating lease commitments as at 31 December 2018	78,651
Current leases with a lease term of 12 months or less (short-term leases)	(692)
Leases of low-value-assets (low-value leases)	(81)
Variable lease payments	(18,079)
Out of scope	(2,469)
Operating lease commitments as at 1 January 2019 (gross, without discounting)	57,330
Effect of discounting at the incremental borrowing rate as of 1 January 2019	(1,685)
Operating lease commitments as at 1 January 2019 (net, discounted)	55,645
Reasonably certain extension or termination options	(26,671)
Lease liabilities from finance leases as at 1 January 2019	-
Total lease liabilities as at 1 January 2019	28,974

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 CHANGES IN ACCOUNTING POLICIES - MFRS 16 *LEASES* (CONTD.)

MFRS 16 *Leases* (Contd.)

FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF MFRS 16 *LEASES* (CONTD.)

(ii) The quantitative impacts of the first-time application of MFRS 16 as of 31 December 2018/1 January 2019 on the Statement of Financial Position are shown below:

Group

	MFRS 117 31 December 2018 RM'000	Modified retrospective application adjustments to MFRS RM'000	MFRS 16 1 January 2019 RM'000
ASSETS			
Right-of-use assets ("ROU")	-	30,231	30,231
LIABILITIES			
Other liabilities - lease liabilities	-	(28,974)	(28,974)
Other liabilities - provision for restoration costs	-	(1,257)	(1,257)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 CHANGES IN ACCOUNTING POLICIES - MFRS 16 *LEASES* (CONTD.)

MFRS 16 *Leases* (Contd.)

FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF MFRS 16 *LEASES* (CONTD.)

(iii) The impact of the application of MFRS 16 to the Income Statement for the year ended 31 December 2019 are shown below:

	Group RM'000
Depreciation	8,977
Lease liability interest	787

The adjustments from the initial application of MFRS 16 reflect the depreciation of ROU assets and ROU lease liability interest from the compounding of lease liabilities for leases categorised as operating leases until 31 December 2018 and any related termination expenses.

(iv) The impact of the application of MFRS 16 on the Statement of Cash Flows for the year ended 31 December 2019 are shown below:

	Group RM'000
Cash flows from operating activities	
- Depreciation	8,977
- Lease liability interest	787
Cash flows from financing activities	
- Payment of lease liabilities	(8,826)

3. PROPERTY, PLANT AND EQUIPMENT

Group

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

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group

	Properties # RM'000	Furniture & fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
2018							
Cost							
At 1 January 2018	118,626	64,520	38,154	43,832	1,929	7,967	275,028
Additions	-	2,458	9,385	711	-	3,660	16,214
Disposals	(6,528)	(24)	(526)	-	-	-	(7,078)
Reclassification	-	846	-	6,226	-	(7,072)	-
Transfer to:							
- Intangible assets	-	-	373	-	-	(1,430)	(1,057)
Translation differences	-	-	11	-	127	16	154
At 31 December 2018	112,098	67,800	47,397	50,769	2,056	3,141	283,261
Accumulated depreciation and impairment losses							
At 1 January 2018	42,670	57,173	22,914	27,600	1,340	-	151,697
Depreciation charge for the year	2,191	3,847	5,175	3,119	195	-	14,527
Disposals	(3,528)	(24)	(521)	-	-	-	(4,073)
Translation differences	-	8	31	-	128	-	167
At 31 December 2018	41,333	61,004	27,599	30,719	1,663	-	162,318
Analysed as:							
Accumulated depreciation	40,013	61,004	27,599	30,719	1,663	-	160,998
Accumulated allowance for impairment	1,320	-	-	-	-	-	1,320
	41,333	61,004	27,599	30,719	1,663	-	162,318
Net Book Value							
At 31 December 2018	70,765	6,796	19,798	20,050	393	3,141	120,943

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Computers and peripherals RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
2019				
Cost				
At 1 January 2019	5	465	500	970
Additions	-	-	424	424
At 31 December 2019	5	465	924	1,394
Accumulated depreciation and impairment losses				
At 1 January 2019	1	126	-	127
Depreciation charge for the year	1	117	-	118
At 31 December 2019	2	243	-	245
Analysed as:				
Accumulated depreciation	2	243	-	245
Net Book Value				
At 31 December 2019	3	222	924	1,149
2018				
Cost				
At 1 January 2018	-	465	-	465
Additions	5	-	500	505
At 31 December 2018	5	465	500	970
Accumulated depreciation and impairment losses				
At 1 January 2018	-	10	-	10
Depreciation charge for the year	1	116	-	117
At 31 December 2018	1	126	-	127
Analysed as:				
Accumulated depreciation	1	126	-	127
Net Book Value				
At 31 December 2018	4	339	500	843

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

Group	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2019				
Cost				
At 1 January/ 31 December 2019	1,829	3,273	106,996	112,098
Accumulated depreciation and impairment losses				
At 1 January 2019	55	2,146	39,132	41,333
Depreciation charge for the year	-	50	2,140	2,190
At 31 December 2019	55	2,196	41,272	43,523
Analysed as:				
- Accumulated depreciation	-	931	41,272	42,203
- Accumulated allowance for impairment losses	55	1,265	-	1,320
	55	2,196	41,272	43,523
Net Book Value				
At 31 December 2019	1,774	1,077	65,724	68,575
2018				
Cost				
At 1 January 2018	3,620	8,010	106,996	118,626
Disposal	(1,791)	(4,737)	-	(6,528)
At 31 December 2018	1,829	3,273	106,996	112,098
Accumulated depreciation and impairment losses				
At 1 January 2018	746	4,931	36,993	42,670
Depreciation charge for the year	-	52	2,139	2,191
Disposals	(691)	(2,837)	-	(3,528)
At 31 December 2018	55	2,146	39,132	41,333
Analysed as:				
- Accumulated depreciation	-	881	39,132	40,013
- Accumulated allowance for impairment losses	55	1,265	-	1,320
	55	2,146	39,132	41,333
Net Book Value				
At 31 December 2018	1,774	1,127	67,864	70,765

4. INVESTMENT PROPERTIES

Group	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Investment property under construction ("IPUC") RM'000	Total RM'000
2019				
At 1 January 2019	478,698	411,974	-	890,672
Additions	-	2,796	-	2,796
Fair value adjustments	8,633	12,449	-	21,082
At 31 December 2019	487,331	427,219	-	914,550
2018				
At 1 January 2018	456,765	131,459	161,208	749,432
Addition	-	-	110,052	110,052
Disposal	-	(520)	-	(520)
Fair value adjustments	21,933	9,775	-	31,708
Reclassification	-	271,260	(271,260)	-
At 31 December 2018	478,698	411,974	-	890,672

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

Investment properties except IPUC, are stated at fair value in accordance with the policies as described in Note 2.2(v) which had been determined based on valuations that reflect market conditions at the end of the reporting period.

5. PREPAID LAND LEASE PAYMENTS

Group	2019 RM'000	2018 RM'000
Cost		
At 1 January/ 31 December	24,018	24,018
Accumulated amortisation and impairment losses		
At 1 January	5,948	5,461
Amortisation charge for the year	486	487
At 31 December	6,434	5,948
Analysed as:		
Accumulated amortisation	6,257	5,771
Accumulated allowance for impairment losses	177	177
	6,434	5,948
Net book value		
At 31 December	17,584	18,070

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

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

Group 2019	Premise RM'000	Office equipments RM'000	Total RM'000
Cost			
At 1 January 2019	-	-	-
- effect of adopting MFRS 16	29,983	248	30,231
At 1 January 2019, as restated	29,983	248	30,231
Additions	1,584	-	1,584
Contract modifications	472	-	472
Terminations	(136)	-	(136)
Adjustments	(104)	-	(104)
Transfer from:			
- Property, plant and equipment (Note 3)	911	-	911
Translation differences	(39)	-	(39)
At 31 December 2019	32,671	248	32,919
Accumulated Depreciation and Impairment Losses			
At 1 January 2019	-	-	-
- effect of adopting MFRS 16	-	-	-
At 1 January 2019, as restated	-	-	-
Depreciation charge for the year	8,886	91	8,977
Contract renewal	-	-	-
Contract modifications	-	-	-
Terminations	(58)	-	(58)
Transfer from:			
- Property, plant and equipment (Note 3)	841	-	841
Translation differences	40	-	40
At 31 December 2019	9,709	91	9,800
Net Book Value			
At 31 December 2019	22,962	157	23,119

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

The movement of lease liabilities is disclosed as follows:

Group 2019	Premises RM'000	Office equipments RM'000	Total RM'000
Lease liabilities			
At 1 January 2019	-	-	-
- effect of adopting MFRS 16	28,726	248	28,974
At 1 January 2019, as restated	28,726	248	28,974
Additions	1,574	-	1,574
Accretion of interest	780	7	787
Contract modifications	473	-	473
Terminations	(111)	-	(111)
Settlement	(8,730)	(96)	(8,826)
Adjustment	(100)	-	(100)
Translation differences	(108)	-	(108)
At 31 December 2019	22,504	159	22,663
Lease liabilities by remaining maturity:			
Less than 12 months	9,459	83	9,542
More than 12 months	13,045	76	13,121
Total	22,504	159	22,663

7. INTANGIBLE ASSETS

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

7. INTANGIBLE ASSETS (CONTD.)

Group	Computer Software and Licences RM'000	Software Development Cost RM'000	Total RM'000
2018			
Cost			
At 1 January 2018	162,035	5,681	167,716
Additions	22,994	-	22,994
Disposals	(2,065)	(20)	(2,085)
Reclassification	5,661	(5,661)	-
Transfer from:			
- Property, plant and equipment (Note 3)	1,057	-	1,057
Translation differences	(286)	-	(286)
At 31 December 2018	189,396	-	189,396
Accumulated amortisation and impairment losses			
At 1 January 2018	83,986	-	83,986
Amortisation charge for the year	12,240	-	12,240
Retirement	(6)	-	(6)
Translation differences	18	-	18
At 31 December 2018	96,238	-	96,238
Analysed as:			
Accumulated amortisation	96,238	-	96,238
	96,238	-	96,238
Net book value			
At 31 December 2018	93,158	-	93,158

7. INTANGIBLE ASSETS (CONTD.)

Company	Computer Software and Licences RM'000	Total RM'000
2019		
At 1 January/ 31 December 2019	8	8
Accumulated amortisation and impairment losses		
At 1 January 2019	1	1
Amortisation charge for the year	1	1
At 31 December 2019	2	2
Analysed as:		
- Accumulated amortisation	2	2
	2	2
Net book value		
At 31 December 2019	6	6

7. INTANGIBLE ASSETS (CONTD.)

Company	Computer Software and Licences RM'000	Total RM'000
2018		
Cost		
At 1 January 2018	-	-
Additions	8	8
At 31 December 2018	8	8
Accumulated amortisation and impairment losses		
At 1 January 2018	-	-
Amortisation charge for the year	1	1
At 31 December 2018	1	1
Analysed as:		
Accumulated amortisation	1	1
Net book value		
At 31 December 2018	7	7

8. INVESTMENT IN SUBSIDIARIES

Company	2019 RM'000	2018 RM'000
Unquoted shares, at cost	2,488,438	2,412,323

Details of the subsidiaries of the Company are as follows:

Name of company	Country of incorporation	Effective interest (%) 2019	Effective interest (%) 2018	Principal activities
Etiqa General Insurance Berhad ("EGIB")	Malaysia	100	100	Underwriting of General Insurance businesses
Etiqa Life Insurance Berhad ("ELIB")	Malaysia	100	100	Underwriting of Life Insurance and investment-linked businesses
Etiqa Family Takaful Berhad ("EFTB")	Malaysia	100	100	Management of Family Takaful and investment-linked businesses
Etiqa General Takaful Berhad ("EGTB")	Malaysia	100	100	Management of General Takaful business
Etiqa Insurance Pte. Ltd. ("EIPL")	Singapore	100	100	Underwriting of General Insurance and Life Insurance businesses
Etiqa Life International (L) Ltd. ("ELIL")	Malaysia	100	100	Offshore investment-linked business
Etiqa Offshore Insurance (L) Ltd. ("EOIL")	Malaysia	100	100	Provision of bureau services in the Federal Territory of Labuan
Etiqa Overseas Investment Pte. Ltd. ("EOIP")	Malaysia	100	100	Investment holding
Double Care Sdn Bhd ("DCSB")	Malaysia	100	100	Under members' voluntary winding-up

8. INVESTMENT IN SUBSIDIARIES (CONTD.)

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

(a) In line with the requirements of the Financial Services Act 2013, the Islamic Financial Services Act 2013 and the Labuan Financial Services and Securities Act 2010 ("LFSSA"), the net assets of the Group's Insurance and Takaful funds amounting to RM26.40 billion (2018: RM22.67 billion) cannot be transferred to or used by other entities/components within the Group;

(b) The total capital available of the Company's Insurance and Takaful subsidiaries as prescribed under the RBC Frameworks for Insurers and Takaful Operators issued by BNM are RM4.52 billion (2018: RM4.94 billion) and RM5.51 billion (2018: RM4.94 billion) respectively;

(c) The available solvency capital of the Company's Insurance subsidiary in Singapore as prescribed under the Risk-Based Capital Framework regulation set by the Monetary Authority of Singapore ("MAS") is RM914.14 million (2018: RM632.92 million) or SGD300.71 million (2018: SGD208.68 million). The Company's Insurance subsidiary in Singapore has a CAR in excess of the current requirement as at 31 December 2019 and 2018; and

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

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

    As at 31 December 2019, the margin of solvency of the Company's Insurance subsidiary in Labuan is a surplus of RM8.60 million (2018: RM8.54 million) or USD2.10 million (2018: USD2.06 million) which complies with the requirements of Section 109 of the LFSSA 2010.

(e) On 29 May 2019, the Board of Directors of MAHB has approved the proposal to sell EOIP which is further disclosed in Note 52.

9. INVESTMENT IN ASSOCIATES

Group	Pak-Kuwait Takaful Company Ltd.		Asian Forum Inc.		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	6,832	6,832	152	152	6,984	6,984
Post-acquisition reserve	1,262	1,262	1,620	1,620	2,882	2,882
Foreign exchange reserve	(502)	(502)	(534)	(534)	(1,036)	(1,036)
Allowance for impairment losses	(7,592)	(7,592)	-	-	(7,592)	(7,592)
	-	-	1,238	1,238	1,238	1,238
Represented by:						
Share of net assets, after impairment losses	-	-	1,238	1,238	1,238	1,238

Details of the associates are as follows:

Name of company	Country of incorporation	Effective interest (%) 2019	Effective interest (%) 2018	Principal activities
Pak-Kuwait Takaful Company Ltd.	Pakistan	32.50	32.50	General Takaful business
Asian Forum Inc.	Malaysia	33.33	33.33	In liquidation

These associates are currently on run-off position and also liquidation. The latest available summarised financial information of the associate were for the financial period 30 September 2017:

	Pak-Kuwait Takaful Company Ltd. 2017 RM'000	Asian Forum Inc. 2017 RM'000
Assets and liabilities		
Current assets	3,907	3,862
Non-current assets	1,946	-
Total assets	5,853	3,862
Current liabilities	3,988	-
Non-current liabilities	-	-
Total liabilities	3,988	-
Results		
Revenue	(305)	-
Profit/loss for the period	(985)	-

10. INVESTMENTS

Group	2019 RM'000	2018 RM'000
Malaysian government papers	1,519,563	1,243,609
Singapore government securities	690,150	657,333
Equity securities	2,435,767	2,463,869
Debt securities	24,742,499	21,587,512
Unit and property trust funds	175,651	170,587
Structured products (Note 11)	189,468	324,451
Investment linked units	300	-
Deposits with financial institutions	3,400,307	2,477,557
	33,153,705	28,924,918

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

Group	2019 RM'000	2018 RM'000
Fair value through profit or loss ("FVTPL")(Note a):		
- Designated upon initial recognition	15,792,967	15,793,650
- Held for trading ("HFT")	2,779,799	2,735,956
Fair value through other comprehensive income ("FVOCI") (Note b)	11,286,492	8,038,954
Amortised Cost ("AC")(Note c)	3,294,447	2,356,358
	33,153,705	28,924,918

The following investments mature after 12 months:

Group	2019 RM'000	2018 RM'000
FVTPL:		
- Designated upon initial recognition	13,661,041	14,755,452
- HFT	500,794	378,485
FVOCI	6,348,287	7,287,258
	20,510,122	22,421,195

10. INVESTMENTS (CONTD.)

(a) FVTPL

(i) Designated upon initial recognition

	2019 RM'000	2018 RM'000
At fair value		
Malaysian government papers	468,444	562,540
Singapore government securities	87,384	45,184
Equity securities:		
Quoted outside Malaysia	400,808	381,852
Debt securities:		
Quoted outside Malaysia	1,104,380	573,679
Unquoted in Malaysia	13,456,220	13,790,978
Unquoted outside Malaysia	47,902	97,776
Unit and property trust funds:		
Quoted in Malaysia	39,701	-
Quoted outside Malaysia	-	19,055
Structured products (Note 11)	188,128	322,586
NCD	-	-
NICD	-	-
Credit linked notes	-	-
Total financial assets designated as FVTPL upon initial recognition	15,792,967	15,793,650

(ii) HFT

	2019 RM'000	2018 RM'000
At fair value		
Malaysian government papers	36,119	37,307
Equity securities:		
Quoted in Malaysia	1,876,547	1,934,052
Quoted outside Malaysia	13,056	7,808
Unquoted in Malaysia	145,356	140,157
Debt securities:		
Unquoted in Malaysia	465,271	342,036
Unit and property trust funds:		
Quoted in Malaysia	24,533	34,390
Quoted outside Malaysia	111,417	117,142
Structured products (Note 11)	1,340	1,865
Investment Linked Units	300	-
Fixed and call deposits with licensed bank	105,860	121,199
Total HFT financial assets	2,779,799	2,735,956

10. INVESTMENTS (CONTD.)

Group	2019 RM'000	2018 RM'000
(b) FVOCI		
At fair value		
Malaysian government papers	1,015,000	643,762
Singapore government securities	602,766	612,149
Debt securities:		
Quoted outside Malaysia	1,238,396	514,824
Unquoted in Malaysia	8,035,476	6,268,219
Unquoted outside Malaysia	394,854	-
Total FVOCI financial assets	11,286,492	8,038,954
(c) AC		
Fixed and call deposits with:		
Licensed financial institutions	2,580,330	2,103,312
Others	714,117	253,046
Total AC financial assets	3,294,447	2,356,358

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

In 2018, included in AC financial assets are assets amounting to RM38,000,000 which have been pledged to obtain banking facility and Islamic bank guarantee facilities from MBB and Maybank Islamic Berhad.

Company	2019 RM'000	2018 RM'000
Malaysian government papers	135,140	-
Debt securities	394,854	-
Deposits with financial institutions	27,425	11,807
	557,419	11,807

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

	2019 RM'000	2018 RM'000
FVOCI (Note a)	529,994	-
AC (Note b)	27,425	11,807
	557,419	11,807

The following investments mature after 12 months:

FVOCI	459,531	-
AC	-	11,807
	459,531	11,807

10. INVESTMENTS (CONTD.)

Company	2019 RM'000	2018 RM'000
(a) FVOCI		
At fair value		
Malaysian government papers	135,140	-
Debt securities:		
Unquoted in Malaysia	394,854	-
Total FVOCI financial assets	529,994	-
(b) AC		
Fixed and call deposits with:		
Licensed financial institutions	25,425	9,837
Others	2,000	1,970
Total AC financial assets	27,425	11,807

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

Fair Value of Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 50.

11. STRUCTURED PRODUCTS

With the adoption of MFRS 9 *Financial Instruments* on 1 January 2018, structured products of the Group are classified as FVTPL. MFRS 9 removed the bifurcation of embedded derivatives concept for financial assets and hybrid financial assets would be classified and measured in their entirety at FVTPL rather than being subject to complex requirements under MFRS 139 *Financial Instruments: Recognition and Measurement*.

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

Group	<------------ 2019 ------------>		<------------ 2018 ------------>	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets at FVTPL				
Structured deposits	197,320	188,128	349,320	322,586
Index-linked notes	27,063	1,340	27,063	1,865
Grand total	224,383	189,468	376,383	324,451

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

12. FINANCING RECEIVABLES

	2019 RM'000	2018 RM'000
Group		
Policy/automatic premium loans	223,960	212,110
Corporate loans	3,583	3,331
Staff loans:		
Secured	52,645	48,840
Unsecured	124	1
Non-staff loans	8,780	9,679
Allowance for impairment losses (Note 47(i))	(10,760)	(11,596)
	278,332	262,365
Receivable after 12 months	45,658	42,135

12. FINANCING RECEIVABLES (CONTD.)

	2019 RM'000	2018 RM'000
Company		
Staff loans:		
Secured	3,193	2,086
Unsecured	42	1
Allowance for impairment losses (Note 47(i))	(4)	(4)
	3,231	2,083
Receivable after 12 months	2,499	1,197

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

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

	2019 Per annum	2018 Per annum
Policy/automatic premium loans	8.00%	8.00%
Non-staff loans	6.02%	5.17%
Staff loans	3.20%	2.49%

13. REINSURANCE/RETAKAFUL ASSETS

Group	2019 RM'000	2018 RM'000
Reinsurers' share of:	3,109,293	2,828,768
Life insurance contract liabilities	74,534	52,240
General insurance contract liabilities	3,034,759	2,776,528
Retakaful operators' share of:	350,989	305,976
Family takaful certificate liabilities	111,198	73,801
General takaful certificate liabilities	239,791	232,175
	3,460,282	3,134,744
Allowance for impairment losses (Note 47(i))	(12,550)	(2,642)
	3,447,732	3,132,102

14. INSURANCE/TAKAFUL RECEIVABLES

Group	2019 RM'000	2018 RM'000
Due premiums including agents/brokers and co-insurers/co-takaful balances	553,739	442,179
Due from reinsurers/retakaful operators and cedants	70,785	85,804
	624,524	527,983
Allowance for impairment losses (Note 47(i))	(31,344)	(13,963)
	593,180	514,020

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

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
2019			
Due premiums including agents/brokers and co-insurers/co-takaful balances	577,215	(23,476)	553,739
Due from reinsurers/retakaful operators and cedants	133,515	(62,730)	70,785
	710,730	(86,206)	624,524
2018			
Due premiums including agents/brokers and co-insurers/co-takaful balances	488,018	(45,839)	442,179
Due from reinsurers/retakaful operators and cedants	126,471	(40,667)	85,804
	614,489	(86,506)	527,983

Included in due premiums including agents/brokers and co-insurers/co-takaful balances and due from reinsurance/retakaful operators and cedants are from related parties amounting to RM13,706,000 and NIL respectively (2018: RM9,681,000 and RM11,646,000). The amount receivable is subject to settlement terms stipulated in the underlying insurance contracts and takaful certificates.

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

15. OTHER ASSETS

	2019 RM'000	2018 RM'000
Group		
Management fees	380	445
Allowance for impairment losses (Note 47(i))	(98)	(63)
	282	382
Sundry receivables, deposits and prepayments	82,807	72,596
Allowance for impairment losses (Note 47(i))	(4,495)	(10,765)
	78,312	61,831
Income and profits due and accrued	358,937	340,843
Allowance for impairment losses (Note 47(i))	(983)	(567)
	357,954	340,276
Amount due from*:		
- Ultimate holding company	-	618
- Penultimate holding company	5,840	-
- Other related companies within the MBB Group	196	179
Amount due from stockbrokers	5,925	136,882
Share of net assets in the Malaysian Motor Insurance Pool ("MMIP")	48,889	56,398
Goods and Service Tax recoverable	2,073	7,640
	62,923	201,717
Total other assets	499,471	604,206

15. OTHER ASSETS (CONTD.)

	2019 RM'000	2018 RM'000
Company		
Income and profits due and accrued	7,208	343
	7,208	343
Amount due from related parties*:		
- Holding company	4,757	16
- Within the MAHB Group	8,278	11,592
	13,035	11,608
Allowance for impairment losses (Note 47(i))	(7,161)	(7,161)
Total other assets	13,082	4,790

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

Included in sundry receivables and income due and accrued are balances due from related parties amounting to RM7,496,000 (2018: RM11,682,000).

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

16. DERIVATIVES

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

	<--------------2019------------->			<--------------2018------------->		
	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
Hedging derivatives:						
Cross currency swap	54,576	320	-	51,747	-	14,168
Forward foreign exchange contract	28,853	34,831	-	952,618	4,124	1,295
Total derivatives		35,151	-		4,124	15,463

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

Hedging derivatives:

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

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

17. DEFERRED TAXATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Group				
At 1 January	(391,807)	(639,901)	-	-
Recognised in:				
Profit or loss (Note 38)	(75,267)	255,143	-	-
- Taxation borne by policyholders/ participants	(107,220)	(10,331)	-	-
- Tax expense of the Group	31,953	265,474	-	-
Other comprehensive income (Note 38)	(72,224)	(5,545)	(1,018)	-
Exchange differences	(223)	(1,504)	-	-
At 31 December	(539,521)	(391,807)	(1,018)	-

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax disclosed in the statements of financial position of the Group is presented on a gross basis as it relates to different entities within the Group as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	19,459	22,521	389	-
Deferred tax liabilities	(558,980)	(414,328)	(1,407)	-
	(539,521)	(391,807)	(1,018)	-

17. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

Group 2019	FVOCI reserve RM'000	Fair value adjustment RM'000	Net accretion of discounts on investments RM'000	Impairment losses on receivables RM'000	Impairment losses on investments RM'000	General insurance liabilities RM'000	Unit linked RM'000	Others RM'000	Total RM'000
At 1 January 2019	2,954	4,605	8,828	2,991	1,226	-	1,587	330	22,521
Reclassification	-	-	-	-	-	(245)	-	(47)	(292)
Recognised in:									
Profit or loss	-	(3,084)	343	4,285	84	379	(1,587)	(236)	184
- Taxation borne by policyholders/participants	-	698	(809)	1,048	(26)	(61)	(1,587)	45	(692)
- Tax expense of the Group	-	(3,782)	1,152	3,237	110	440	-	(281)	876
Other Comprehensive Income	(2,954)	-	-	-	-	-	-	-	(2,954)
At 31 December 2019	-	1,521	9,171	7,276	1,310	134	-	47	19,459
2018									
At 1 January 2018, as restated	3,075	8,155	3,922	2,266	6,813	26	-	130	24,387
Reclassification	4,027	-	953	824	-	(26)	-	26	5,804
Recognised in:									
Profit or loss	262	(3,550)	3,953	(99)	(5,587)	-	1,587	174	(3,260)
- Taxation borne by policyholders/participants	14	(1,072)	4,632	1,459	(3,689)	-	1,587	21	2,952
- Tax expense of the Group	248	(2,478)	(679)	(1,558)	(1,898)	-	-	153	(6,212)
Other Comprehensive Income	(4,410)	-	-	-	-	-	-	-	(4,410)
At 31 December 2018	2,954	4,605	8,828	2,991	1,226	-	1,587	330	22,521

17. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

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

17. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities (Contd.)

Group 2018	Net accretion of discounts on investments RM'000	Accelerated capital allowances RM'000	Fair value adjustment RM'000	FVOCI reserve RM'000	Life insurance contract liabilities RM'000	Non-Participating Fund Unallocated Surplus RM'000	Unit-linked RM'000	Others RM'000	Total RM'000
At 1 January 2018, as restated	(55)	(7,488)	(24,721)	3,465	(59,645)	(566,572)	(6,811)	(2,461)	(664,288)
Reclassification	(953)	-	-	(4,027)	-	-	-	(824)	(5,804)
Recognised in:									
Profit or loss	1,008	(3,791)	3,413	(248)	(22,546)	271,560	6,811	2,196	258,403
- Taxation borne by policyholders/participants	1,008	(1,742)	1,396	-	(22,546)	-	6,811	1,790	(13,283)
- Tax expense of the Group	-	(2,049)	2,017	(248)	-	271,560	-	406	271,686
Other comprehensive income	-	-	-	(1,135)	-	-	-	-	(1,135)
Exchange differences	-	911	-	563	(2,978)	-	-	-	(1,504)
At 31 December 2018	-	(10,368)	(21,308)	(1,382)	(85,169)	(295,012)	-	(1,089)	(414,328)

17. DEFERRED TAXATION (CONTD.)

Company	FVOCI reserve RM'000	Net accretion of discounts on investments RM'000	Total RM'000
2019			
At 1 January 2019	-	-	-
Recognised in other comprehensive income	(1,407)	389	(1,018)
At 31 December 2019	(1,407)	389	(1,018)
2018			
At 1 January 2018	-	-	-
Recognised in other comprehensive income	-	-	-
At 31 December 2018	-	-	-

18. SHARE CAPITAL

	Number of shares		Amount	
	2019	2018	2019	2018
	Units '000	Units '000	RM'000	RM'000
Issued and fully paid				
Ordinary shares:				
At 1 January	252,005	252,005	660,866	660,866
At 31 December	252,005	252,005	660,866	660,866

19. RESERVES

		2019	2018
Group		RM'000	RM'000
FVOCI reserves	(i)	137,747	1,187
Other reserves:			
Revaluation reserve	(ii)	788	788
Currency translation reserve	(iii)	56,343	51,351
		57,131	52,139
Retained profits:			
Distributable	(iv)	4,984,614	4,403,290
Non-distributable non-par surplus	(v)	776,496	922,723
		5,761,110	5,326,013
Total reserves		5,955,988	5,379,339

19. RESERVES (CONTD.)

	2019 RM'000	2018 RM'000
Company		
FVOCI reserve	4,732	-
Distributable:		
Retained profits	2,377,984	1,759,301
Total reserves	2,382,716	1,759,301

(i) The FVOCI reserve of the Group and the Company arose from changes in the fair values of the financial assets measured at other comprehensive income in the shareholders' and non-DPF funds.

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

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

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

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

20. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES

	2019			2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Life Insurance/Family Takaful (Note A)	24,055,922	(185,732)	23,870,190	20,595,386	(126,041)	20,469,345
General insurance/takaful (Note B)	5,788,422	(3,274,551)	2,513,871	5,204,295	(3,008,703)	2,195,592
	29,844,344	(3,460,283)	26,384,061	25,799,681	(3,134,744)	22,664,937

(A) Life Insurance/Family Takaful

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

(i) Life Insurance/Family Takaful contract liabilities

	2019			2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities	182,953	(18,076)	164,877	228,329	(14,052)	214,277
Actuarial liabilities	19,105,614	(167,656)	18,937,958	16,477,186	(111,989)	16,365,197
DPF's unallocated surplus	2,639,150	-	2,639,150	2,401,223	-	2,401,223
DPF's FVOCI reserve	297,982	-	297,982	(16,191)	-	(16,191)
Net asset value ("NAV") attributable to unitholders	1,830,223	-	1,830,223	1,504,839	-	1,504,839
	24,055,922	(185,732)	23,870,190	20,595,386	(126,041)	20,469,345

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

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

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

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

2019	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's Unallocated Surplus RM'000	DPF's FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Gross Total liabilities RM'000	Reinsurance assets RM'000	Net Total liabilities RM'000
At 1 January 2019	228,329	16,477,186	2,401,223	(16,191)	1,504,839	20,595,386	(126,041)	20,469,345
Premiums received	-	-	3,079,094	-	560,480	3,639,574	-	3,639,574
Other revenue	-	-	1,704,222	(15,895)	122,799	1,811,126	-	1,811,126
Experience/benefit variation	1,028,718	-	-	-	(262)	1,028,456	-	1,028,456
Net benefits and claims	(1,074,094)	-	(1,574,650)	-	(343,879)	(2,992,623)	(631)	(2,993,254)
Other expenses	-	-	(666,041)	-	(4,731)	(670,772)	-	(670,772)
Change in reserves :								
- Discounting	-	389,538	(160,292)	-	-	229,246	(64,175)	165,071
- Assumptions	-	(39,322)	38,770	-	-	(552)	56,635	56,083
- Policy Movements	-	2,238,074	(1,882,488)	-	(31)	355,555	(51,508)	304,047
Exchange differences	-	6,875	(87)	108	-	6,896	(12)	6,884
Changes in FVOCI reserve	-	-	-	347,838	-	347,838	-	347,838
Taxation	-	-	(69,237)	(17,878)	(8,992)	(96,107)	-	(96,107)
Transferred to shareholders' funds	-	-	(177,700)	-	-	(177,700)	-	(177,700)
Surplus paid to participants	-	33,263	(53,664)	-	-	(20,401)	-	(20,401)
At 31 December 2019	182,953	19,105,614	2,639,150	297,982	1,830,223	24,055,922	(185,732)	23,870,190

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

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

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

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

2018	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's Unallocated Surplus RM'000	DPF's FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Gross Total liabilities RM'000	Reinsurance assets RM'000	Net Total liabilities RM'000
At 1 January 2018	225,021	15,125,107	2,355,649	(29,784)	1,454,898	19,130,891	(119,557)	19,011,334
- effects of adopting MFRS 9	-	-	(8,268)	5,088	-	(3,180)	-	(3,180)
At 1 January 2018, as restated	225,021	15,125,107	2,347,381	(24,696)	1,454,898	19,127,711	(119,557)	19,008,154
Premiums received	-	-	2,927,738	-	508,362	3,436,100	(67,953)	3,368,147
Other revenue	-	-	491,705	-	(147,094)	344,611	-	344,611
Experience/benefit variation	3,304	-	-	-	(1)	3,303	20,175	23,478
Net benefits and claims	4	-	(1,353,780)	-	(304,935)	(1,658,711)	43,171	(1,615,540)
Other expenses	-	-	(567,833)	-	(20,350)	(588,183)	-	(588,183)
Change in reserves :								
- Discounting	-	(6,726)	13,646	-	-	6,920	(25,031)	(18,111)
- Assumptions	-	(307,464)	188,532	-	-	(118,932)	53,043	(65,889)
- Policy Movements	-	1,664,961	(1,413,691)	-	-	251,270	(29,882)	221,388
Exchange differences	-	1,308	28	6	50	1,392	(7)	1,385
Changes in FVOCI reserve	-	-	-	8,499	-	8,499	-	8,499
Taxation	-	-	(9,293)	-	13,909	4,616	-	4,616
Transfer to shareholders' funds	-	-	(166,223)	-	-	(166,223)	-	(166,223)
Surplus paid to participants	-	-	(12,273)	-	-	(12,273)	-	(12,273)
Reallocation of unallocated surplus in Annuity PIF						-		-
to Expense Liabilities (Note 22)	-	-	(44,714)	-	-	(44,714)	-	(44,714)
At 31 December 2018	228,329	16,477,186	2,401,223	(16,191)	1,504,839	20,595,386	(126,041)	20,469,345

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

(B) General Insurance/Takaful

	2019			2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities (i)	4,187,105	(2,941,598)	1,245,507	3,759,920	(2,658,712)	1,101,208
Premiums/contribution liabilities (ii)	1,378,799	(332,953)	1,045,846	1,241,697	(349,991)	891,706
Unallocated surplus of general takaful fund	182,124	-	182,124	211,000	-	211,000
FVOCI Reserve	40,394	-	40,394	(8,322)	-	(8,322)
	5,788,422	(3,274,551)	2,513,871	5,204,295	(3,008,703)	2,195,592

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	3,759,920	(2,658,712)	1,101,208	3,808,752	(2,649,946)	1,158,806
Claims incurred in the current accident year	2,063,577	(796,594)	1,266,983	1,405,114	(432,750)	972,364
Movements in claims incurred in prior accident years	(80,427)	36,971	(43,456)	(111,441)	86,931	(24,510)
Claims paid during the year	(1,554,364)	472,450	(1,081,914)	(1,344,495)	349,520	(994,975)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,310	-	1,310	1,056	-	1,056
Movements in PRAD	(3,228)	4,445	1,217	1,294	(12,739)	(11,445)
Exchange differences	317	(158)	159	(360)	272	(88)
At 31 December	4,187,105	(2,941,598)	1,245,507	3,759,920	(2,658,712)	1,101,208

(ii) Premium/contribution liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,241,697	(349,993)	891,704	1,104,029	(314,794)	789,235
Premiums/contributions written in the year	3,111,020	(943,231)	2,167,789	2,671,977	(897,296)	1,774,681
Premiums/contributions earned during the year	(2,974,217)	960,375	(2,013,842)	(2,529,329)	856,908	(1,672,421)
Exchange differences	299	(104)	195	(4,980)	5,191	211
At 31 December	1,378,799	(332,953)	1,045,846	1,241,697	(349,991)	891,706

21. SUBORDINATED OBLIGATIONS

Group	2019 RM'000	2018 RM'000
Tier 2 Capital Subordinated Bond/Sukuk:		
- RM300 million from EFTB	-	300,000
	-	300,000
Interest/profit payable on subordinated obligations	-	1,189

Tier 2 Capital Subordinated Sukuk

Issued date	:	30 May 2014
Tenure	:	10 years from issue date on 10 non-callable 5 basis (Due in 2024)
Profit payable	:	4.52% per annum payable semi-annually in arrears in May and November each year.
Redemption	:	EFTB has redeemed the bond, in whole on 30 May 2019 (first call date) (Note 51)

The fair value of the EFTB's subordinated obligations as at 31 December 2018 was RM300,480,000 and is determined by reference to indicative ask-prices obtained from Bondweb provided by BPAM. The fair value of subordinated obligations is categorised under Level 2 of the fair value hierarchy as the valuations were mainly based on market observable inputs.

22. EXPENSE LIABILITIES

Group	2019 RM'000	2018 RM'000
UWF of General Takaful fund	148,713	127,590
UER of Family Takaful fund	535,282	445,941
	683,995	573,531

	UWF of General Takaful fund RM'000	UER of Family Takaful fund RM'000	Total RM'000
2019			
At 1 January 2019	127,590	445,941	573,531
Wakalah fee received during the year	514,135	-	514,135
Wakalah fee earned during the year	(493,012)	-	(493,012)
Movement in UWF (Note 36)	21,123	-	21,123
Movement in UER (Note 36)	-	89,341	89,341
At 31 December 2019	148,713	535,282	683,995
2018			
At 1 January 2018	137,916	379,794	517,710
Wakalah fee received during the year	411,769	-	411,769
Wakalah fee earned during the year	(422,095)	-	(422,095)
Movement in UWF (Note 36)	(10,326)	-	(10,326)
Movement in UER (Note 36)	-	21,433	21,433
Transfer from Family Takaful Fund - Annuity (Note 20)	-	44,714	44,714
At 31 December 2018	127,590	445,941	573,531

23. INSURANCE/TAKAFUL PAYABLES

Group	2019 RM'000	2018 RM'000
Due to agents and intermediaries	226,515	140,871
Due to reinsurers and cedants	366,314	373,809
Due to retakaful operators	49,532	51,772
	642,361	566,452

Amount due to reinsurers and cedents have been offset against amount due from the same counterparties are as follows:

2019	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
Due to agents and intermediaries	249,991	(23,476)	226,515
Due to reinsurers and cedants	394,800	(28,486)	366,314
Due to retakaful operators	83,776	(34,244)	49,532
	728,567	(86,206)	642,361

2018	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
Due to agents and intermediaries	186,710	(45,839)	140,871
Due to reinsurers and cedants	387,901	(14,092)	373,809
Due to retakaful operators	78,347	(26,575)	51,772
	652,958	(86,506)	566,452

Included in due contributions including agents, brokers and co-takaful balances as well as amount due to reinsurers and cedants are balances due to related parties amounting to RM23,568,000 and NIL. (2018: RM552,000 and NIL).

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

24. OTHER LIABILITIES

	2019 RM'000	2018 RM'000
Group		
Premium/contribution deposits	218,999	197,831
Dividend payable to policyholders	73,564	78,997
ROU Lease liabilities (Note 6)	22,663	-
ROU restoration cost	1,257	-
Amount due to*:		
- Ultimate holding company	8,670	8,332
- Holding company	285	-
- Other related companies within the MBB Group	342	1,715
Amount due to stockbrokers	24,300	41,762
Mudharabah payable	187,425	181,510
Unclaimed monies	82,032	75,165
Provisions for expenses	110,573	67,033
Service tax payable	25,239	25,222
Goods and service tax	-	16,657
Zakat payable	11,962	16,231
Claims pending disbursement	18,916	-
Witholding tax payable	38,463	25,197
Sundry payables and accrued liabilities	532,774	482,611
	1,357,464	1,218,263
Company		
Amount due to*:		
- Ultimate holding company	1,141	-
Provisions for expenses	954	79
Sundry payables and accrued liabilities	17,511	13,188
	19,606	13,267

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

Included in sundry payables and acrrued liabilities are balances due to ultimate holding company amounting to RM 22,185,000 (2018: RM 29,837,000).

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

25. OPERATING REVENUE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Gross premiums/contributions	7,598,167	6,784,331	-	-
Investment income (Note 28)	1,357,549	1,259,760	888,244	6,002
	8,955,716	8,044,091	888,244	6,002

26. NET EARNED PREMIUMS/CONTRIBUTIONS

	2019 RM'000	2018 RM'000
Group		
(a) Gross earned premiums/contributions		
Life Insurance contracts	2,864,678	2,542,930
General Insurance contracts	1,454,046	1,362,602
Family Takaful contracts	1,674,739	1,569,424
General Takaful contracts	1,604,704	1,309,375
Gross premiums/contributions	7,598,167	6,784,331
Change in premium/contribution liabilities	(136,803)	(142,648)
Gross earned premiums/contributions	7,461,364	6,641,683
(b) Earned premiums/contributions ceded to reinsurers/retakaful operators		
Life Insurance contracts	(32,062)	(26,131)
General Insurance contracts	(771,024)	(776,901)
Family Takaful contracts	(72,215)	(67,953)
General Takaful contracts	(121,226)	(120,395)
Premium/contribution ceded to reinsurers/retakaful operators	(996,527)	(991,380)
Change in premium/contribution liabilities	(17,144)	40,388
Earned premium/contribution ceded to reinsurers/ retakaful operators	(1,013,671)	(950,992)
Net earned premiums/contributions	6,447,693	5,690,691

27. FEE AND COMMISSION INCOME

Group	2019 RM'000	2018 RM'000
Profit commission	362	1,000
Reinsurance/retakaful commission income	80,870	74,950
Others	190	1,125
Fee and commission income related to Insurance/Takaful contracts	81,422	77,075

28. INVESTMENT INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
FVTPL Financial Assets				
(i) Designated upon initial recognition				
Interest/profit income	736,460	741,812	-	-
Dividend/distribution income				
- equity securities quoted in Malaysia	1,071	11,811	-	-
- quoted outside Malaysia	12,366	15,042	-	-
- unquoted in Malaysia	-	706	-	-
- unquoted outside Malaysia	-	610	-	-
- unit and property trusts	25	-	-	-
	749,922	769,981	-	-
(ii) HFT				
Interest/profit income	25,806	23,236	-	-
Dividend/distribution income				
- equity securities quoted in Malaysia	44,869	46,823	-	-
- quoted outside Malaysia	227	-	-	-
- unquoted in Malaysia	3,681	73	-	-
- unquoted outside Malaysia	-	7	-	-
- unit and property trusts	945	76	-	-
	75,528	70,215	-	-

28. INVESTMENT INCOME (CONTD.)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
FVOCI Financial Assets				
Interest/profit income	427,908	331,457	12,128	-
Dividend/distribution income				
- Equities securities quoted in Malaysia	-	1,056	-	-
	427,908	332,513	12,128	-
AC Financial Assets				
Interest/profit income	100,914	79,617	2,692	6,002
Dividend/distribution income				
- From subsidiaries	-	-	875,000	-
	100,914	79,617	877,692	6,002
Interest/profit income from financing receivables and other loans	19,935	19,500	14	-
Rental income	19,710	15,866	-	-
Net amortisation of premiums	(20,169)	(17,484)	(1,535)	-
Other investment income	14,853	55	-	-
Management fee income	-	3,253	-	-
Investment related expenses	(31,052)	(13,756)	(55)	-
	3,277	7,434	(1,576)	-
Total investment income	1,357,549	1,259,760	888,244	6,002

29. REALISED GAINS/(LOSSES)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Realised gain on disposal of property, plant and equipment	-	4,004	-	-
Realised loss on disposal of investment properties	-	(183)	-	-
Realised gains/(losses) on disposal of:				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	7,671	(1,174)	-	-
Equity securities	2,730	(124,824)	-	-
Debt securities	156,497	24,129	-	-
Unit and property trusts	-	(10,977)	-	-
Other investments	(4,341)	(13,741)	-	-
Derivative liabilities, net	(15,038)	461	-	-
	147,519	(126,126)	-	-
(ii) HFT				
Malaysian government papers	1,355	448	-	-
Equity securities	-	(306,220)	-	-
Debt securities	(54,304)	1,491	-	-
Unit and property trusts	2,320	548	-	-
NCD	5,908	-	-	-
Other investments	-	(410)	-	-
Foreign notes	221	-	-	-
	(44,500)	(304,143)	-	-
FVOCI financial assets				
Malaysian government papers	5,974	594	-	-
Equity securities	-	(34,323)	558	-
Debt securities	54,285	7,726	-	-
Other investments	-	(4)	-	-
	60,259	(26,007)	558	-
Total realised gains/(losses)	163,278	(452,455)	558	-

30. FAIR VALUE GAINS/(LOSSES)

Group	2019 RM'000	2018 RM'000
Fair value gains:		
Investment properties (Note 4)	21,082	31,708
Financial assets at FVTPL:		
- designated upon initial recognition	1,071,381	19,005
- HFT	158,047	(112,507)
Total fair value losses on financial assets at FVTPL	1,229,428	(93,502)
Total fair value gains/(losses)	1,250,510	(61,794)

31. OTHER OPERATING (EXPENSES)/INCOME, NET

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other income				
Gain on foreign exchange				
- realised	10	256	-	-
- unrealised	9,490	15,245	20	-
Management fee income	6	-	-	-
Processing income	131	57	-	-
Recovery of bad debts	1,916	8,940	-	-
Reversal of impairment losses on:				
- Financing receivables	836	-	-	-
- receivables	1,667	6,992	-	-
- insurance/takaful receivables	57	-	-	-
- investments	347	262	-	-
- others	-	376	-	-
Surrender charges	20	28	-	-
Sundry income	21,291	17,472	182	141
	35,771	49,628	202	141
Other expenses				
Bad debts written off	-	(2,211)	-	-
Impairment losses on:				
- receivables	(1,940)	(1,798)	(594)	(899)
- Insurance/Takaful receivables	(17,438)	(2,087)	-	-
- reinsurance/retakaful assets	(9,909)	-	-	-
- investments	(927)	(543)	(363)	-
- other impairments	-	(992)	-	-
Losses on foreign exchange				
- realised	(10,299)	(9,896)	-	(329)
- unrealised	(46,982)	(2,213)	(567)	(71)
Sundry expenditure	(4,741)	(3,080)	(343)	(4)
	(92,236)	(22,820)	(1,867)	(1,303)
Total other operating (expenses)/income, net	(56,465)	26,808	(1,665)	(1,162)

32. NET BENEFITS AND CLAIMS

	2019 RM'000	2018 RM'000
Group		
(a) Gross Benefits and Claims Paid		
Life Insurance	(1,143,299)	(1,060,699)
General Insurance	(759,274)	(609,785)
Family Takaful	(1,098,300)	(889,852)
General Takaful	(789,425)	(728,707)
	(3,790,298)	(3,289,043)
(b) Claims Ceded to Reinsurers/Retakaful		
Life Insurance	12,724	13,583
General Insurance	445,989	310,704
Family Takaful	58,968	47,778
General Takaful	22,013	32,733
	539,694	404,798
(c) Gross Change in Contract/Certificate Liabilities		
Life Insurance	(2,178,700)	(957,855)
General Insurance	(314,772)	(36,543)
Family Takaful	(997,888)	(517,712)
General Takaful	(166,855)	(13,260)
	(3,658,215)	(1,525,370)
(d) Change in Contract/Certificate Liabilities Ceded to Reinsurers/Retakaful		
Life Insurance	22,284	11,821
General Insurance	262,991	38,124
Family Takaful	37,396	(5,283)
General Takaful	19,837	(29,088)
	342,508	15,574

33. MANAGEMENT EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Employee benefits expense (a)	493,737	452,758	39,804	46,543
Directors' remuneration (Note 34)	7,186	6,630	1,958	1,256
Shariah Committee's remuneration (Note 35)	451	394	-	-
Auditors' remuneration:				
- statutory audits	2,805	2,184	82	131
- regulatory related services	141	77	15	15
- other services	307	448	-	-
Amortisation of intangible assets	14,357	12,240	1	1
Amortisation of prepaid land lease payments	486	487	-	-
Auto assist service	13,378	7,900	-	-
Assured medical fees	2,313	1,856	-	-
Bank charges	26,930	26,552	7	293
Depreciation of property, plant and equipment	14,166	14,527	118	117
Right-of-use expenses:				
-Depreciation	8,977	-	-	-
-Lease interest	787	-	-	-
Interest expenses	-	28	-	-
Other management fees	14,746	7,549	380	2,181
Professional fees	3,978	5,880	-	-
Rental of offices/premises	6,046	14,181	526	899
Office facilities expenses	3,334	640	-	-
Electronic data processing expenses	25,425	21,340	680	445
Outsourcing services	1,865	6,954	-	-
Information technology outsourcing	23,357	16,734	-	(8)
Postage and stamp duties	5,873	6,300	91	-
Printing and stationery	3,831	7,229	24	17
Promotional and marketing cost	130,721	106,956	-	-
Training expenses	6,051	6,234	412	345
Utilities, assessment and maintenance	7,418	7,955	70	269
Entertainment	1,628	1,452	40	11
Travelling expenses	6,809	6,305	287	416
Legal fees	1,280	1,411	189	224
Other expenses	56,864	68,597	1,051	5,327
Total management expenses	885,247	811,798	45,735	58,482

33. MANAGEMENT EXPENSES (CONTD.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) Employee Benefits Expense:				
Wages, salaries and bonuses	381,657	338,788	31,486	34,507
EPF and CPF	57,328	52,021	4,239	6,309
SOCSO	2,150	2,003	103	100
Share based compensation	4,956	239	1,059	-
Other benefits	47,646	59,707	2,917	5,627
	493,737	452,758	39,804	46,543

(b) The details of CEO remuneration paid to CEO of the company during the year are as follows:

	Company	
	2019	2018
	RM'000	RM'000
Salary	1,740	1,440
Directors fees	152	73
Bonus	1,440	1,500
EPF and Pension Scheme	569	483
Share based compensation	-	850
Other emoluments	435	116
	4,336	4,462

34. DIRECTORS' REMUNERATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors of the Group				
Executive directors:				
Fees	663	649	183	173
Other emoluments	86	55	22	16
	749	704	205	189
Non-executive directors:				
Fees	5,478	5,245	1,425	936
Other emoluments	959	681	328	131
	6,437	5,926	1,753	1,067
Total directors' fee and remuneration	7,186	6,630	1,958	1,256

34. DIRECTORS' REMUNERATION (CONTD.)

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

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

34. DIRECTORS' REMUNERATION (CONTD.)

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

2018	Company Fees RM'000	Company Other Emoluments RM'000	Company Total RM'000	Subsidiaries Fees RM'000	Subsidiaries Other Emoluments RM'000	Subsidiaries Total RM'000	Group Grand Total RM'000
Executive directors:							
Datuk Nora Abd. Manaf	-	-	-	238	15	253	253
Dato' Mohamed Rafique Merican	-	-	-	238	24	262	262
Dato' Amirul Feisal Wan Zahir	173	16	189	-	-	-	189
	173	16	189	476	39	515	704
Non-executive directors:							
Mr. Koh Heng Kong	-	-	-	238	50	288	288
Dr Abdul Rahim Abd Rahman	-	-	-	238	28	266	266
Mr. Loh Lee Soon	-	-	-	265	48	313	313
Datuk R. Karunakaran	212	34	246	349	29	378	624
Mr. Bart K.A De Smet	141	10	151	-	-	-	151
Mr. Gary Lee Crist	205	40	245	-	-	-	245
Dato' Mohd Salleh Hj Harun	-	-	-	224	12	236	236
Dr. John Lee Hin Hock	-	-	-	179	18	197	197
Dato' Johan Ariffin	151	21	172	508	75	583	755
Mr. Philippe Pol Arthur Latour	-	-	-	476	54	530	530
Mr. Frank J.G. Van Kempen	-	-	-	487	66	553	553
Datuk Sulaiman Salleh	-	-	-	35	1	36	36
Encik Kamaludin Ahmad	-	-	-	150	12	162	162
Encik Hj. Sallim Bin Abdul Kadir	-	-	-	224	36	260	260
Mr. Wong Pakshong Kat Jeong Colin Stewart	-	-	-	443	63	506	506
Mr. Lee Hin Sze	-	-	-	23	1	24	24
Datuk Mohd Najib Abdullah	86	17	103	120	21	141	244
Dato' Majid Mohamad	141	9	150	350	36	386	536
	936	131	1,067	4,309	550	4,859	5,926
	1,109	147	1,256	4,785	589	5,374	6,630

35. SHARIAH COMMITTEE'S REMUNERATION

	Group 2019 RM'000	Group 2018 RM'000
Fees	309	308
Other emoluments	142	86
	451	394

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

	2019 Fees RM'000	2019 Other Emoluments RM'000	2019 Total RM'000	2018 Fees RM'000	2018 Other Emoluments RM'000	2018 Total RM'000
Shariah committee:						
Assoc Prof Dr. Aznan Hasan	42	16	58	-	-	-
Dr. Ahcene Lahsasna	25	14	39	56	14	70
Dr Ismail Mohd @ Abu Hassan	-	-	-	18	6	24
Dr Mohammad Deen Mohd Napiah	-	-	-	18	6	24
Dr. Sarip Adul	50	24	74	48	14	62
Prof Dr Rusni Hassan	50	23	73	48	14	62
Prof Dr Abdul Rahim Abdul Rahman	50	23	73	48	14	62
Prof Dato' Dr Mohd Azmi Omar	50	23	73	36	8	44
Dato' Dr. Anhar Opir	42	19	61	36	10	46
	309	142	451	308	86	394

36. CHANGE IN EXPENSE LIABILITIES

	2019 RM'000	2018 RM'000
Group		
Increase/(decrease) in UWF of General Takaful fund (Note 22)	21,123	(10,326)
Increase in UER of Family Takaful fund (Note 22)	89,341	21,433
	110,464	11,107

37. FEE AND COMMISSION EXPENSES

Group	2019 RM'000	2018 RM'000
Costs incurred for the acquisition of Insurance/Takaful contracts in the current financial year	631,278	516,219
Others	-	35
	631,278	516,254

38. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2019 and 31 December 2018 are:

Income Statement

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
Current financial year				
- Malaysia	250,663	383,568	3,730	1,401
- Foreign	5,658	1,280	-	-
Under/(over) provision of taxation in prior financial years	8,797	(33,634)	-	-
	265,118	351,214	3,730	1,401

38. INCOME TAX EXPENSE (CONTD.)

Major components of income tax expense (Contd.)

The major components of income tax expense for the year ended 31 December 2019 and 31 December 2018 are (Contd.):

Income Statement (Contd.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 17)	(31,953)	(265,474)	(476)	-
Under/(over) provision of deferred taxation in prior years	946	-	-	-
	234,111	85,740	3,254	1,401
Statement of Comprehensive Income:				
Deferred income tax related to other comprehensive income:				
- Fair value changes on FVOCI investments (Note 17)	(72,224)	(5,545)	1,494	-

Reconciliation between tax expense and accounting profit

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	931,077	800,957	872,178	(8,676)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	423,291	188,721	209,323	(2,082)
Lower of 3% on PBT/ RM 20K	32	-	-	-
Effects of tax in different jurisdiction	5,812	3,796	-	-

38. INCOME TAX EXPENSE (CONTD.)

Reconciliation between tax expense and accounting profit (Contd.)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax exemption	(52)	(30)	-	-
Income not subject to tax	(293,668)	(111,049)	(210,000)	-
Expenses not deductible for tax purposes	114,253	105,223	4,267	3,483
Utilisation of previously unrecognised tax losses	-	(248)	-	-
Tax relief on actuarial surplus transferred to shareholder's fund	(14,870)	(64,851)	-	-
Effects of changes in foreign tax rate	1,807	-	-	-
Onshore tax in interest at 24%	141	129	-	-
Uncer/(over) provision of taxation in prior financial years	8,797	(33,634)		-
Effect of zakat deduction	(2,180)	(786)	-	-
Effects of different tax rate on offshore business activities	-	(1,366)	-	-
Deficit arising from Annuity Non-Par fund deductible for tax purposes	(7,553)	-	-	-
Deferred tax not recognised in prior financial years	-	(102)	-	-
Others	(1,699)	(63)	(336)	-
Tax expense for the financial year	234,111	85,740	3,254	1,401

Tax borne by policyholders/participants

	Group	
	2019 RM'000	2018 RM'000
Income tax:		
Current financial year		
- Malaysia	37,538	16,902
- Foreign	2,362	-
Under/(over) provision of taxation in prior financial years	(2,271)	(71)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 17)	107,220	10,331
	144,849	27,162

38. INCOME TAX EXPENSE (CONTD.)

Taxation of shareholders' and general funds

The income tax for shareholders' fund and general fund in relation to the Malaysia and Singaporean operations are calculated at the statutory tax rate of 24% (2018: 24%) and 17% (2018: 17%) of the estimated assessable profit respectively for the financial year.

Taxation of Life Insurance and Family Takaful business

The income tax for the Life and Family Takaful funds are calculated based on the statutory rate of 8% (2018: 8%) of the estimated assessable investment income net of allowable deductions for the financial year for the Malaysian operations.

39. EARNINGS PER SHARE

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

	Group		Company	
	2019	2018	2019	2018
Profit attributable to ordinary equity holders (RM'000)	689,270	699,008	868,924	(10,077)
Number of ordinary share in issue ('000) (Note 18)	252,005	252,005	252,005	252,005
Basic and diluted earnings per share (sen)	2.74	2.77	3.45	(0.04)

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

40. DIVIDENDS

	2019 RM'000	2018 RM'000
Company		
Recognised during the financial year:		
Final dividend for the year ended 31 December 2017:		
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	-	250,241

40. DIVIDENDS (CONTD.)

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

41. OPERATING LEASE COMMITMENTS

The Group as a lessor

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

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

	2019 RM'000	2018 RM'000
Not later than one year	27,801	22,308
Between one and five years	38,582	20,103
	66,383	42,411

Rental income on investment properties recognised in the income statements during the financial year are disclosed in Note 28.

42. OTHER COMMITMENTS AND CONTINGENCIES

	2019 RM'000	2018 RM'000
Group		
Approved and contracted for:		
Property, plant and equipment	3,115	211
Intangible assets	8,799	5,598
Information Technology Services	6,016	8,801
Others	43	-
	17,973	14,610
Approved and not contracted for:		
Property, plant and equipment	18,934	-
Intangible assets	119	112
	19,053	112

43. SHARE BASED COMPENSATION

ESGP and CESGP

Maybank Group has implemented a new employee's share scheme named as the Maybank Group ESGP and the scheme was awarded to the participating companies within the Maybank Group who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders of Maybank at an Extraordinary General Meeting held on 6 April 2017. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

The ESGP consists of two (2) types of performance-based awards, i.e. ESGP Shares and CESGP. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

43. SHARE BASED COMPENSATION (CONTD.)

ESGP and CESGP (Contd.)

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

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

Other principal features of the ESGP are as follows:

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

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

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

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

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the corresponding party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel includes the directors and the Chief Executive Officer of the Group and of the Company.

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

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

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income/(expenses):				
Ultimate holding company:				
Gross premium/contribution income	36,321	35,083	-	-
Commission and fee expenses	(145,106)	(148,981)	-	-
Claims paid	(12,975)	(9,438)	-	-
Dividend income	1,420	-	-	-
Interest/profit income	12,862	17,064	2,331	307
Management fee	496	(270)	-	-
Rental income (net)	3,469	3,518	-	-
Other expenses	(5,508)	(8,896)	(378)	(120)
Net hedging income	126	-	-	-
Interest expense	-	(5)	-	-

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income/(expenses) (Contd.):				
Fellow subsidiaries/associates within the MAHB Group:				
Gross premium/contribution income	-	-	(1,372)	-
Insurance premium expense	-	-	-	(58)
Gross dividend income	-	-	875,000	-
Depreciation charged	-	-	-	(24)
Reimbursement of shared services	-	-	26,174	32,508
Rental expense	-	-	(525)	(526)
Reimbursement of expenses	-	-	3,632	-
Claims (paid)/recovery	-	-	41	-
Other related companies within the MBB Group:				
Gross premium/contribution income	6,793	4,862	-	-
Commission and fee expenses	(153,640)	(103,242)	-	-
Other investment income	-	87	-	6
Insurance premium expenses	(124)	-	-	-
Management fee	(3,583)	(2,189)	-	-
Information technology outsourcing	(24,420)	(18,756)	-	-
Interest/profit income	25,495	16,967	35	2,452
Rental income (net)	4,057	4,440	-	-
Other expenses	(5,200)	(2,660)	-	-
Other income	-	3,755	-	-
Claims paid	(102)	(404)	-	-
Investment advisory fee	(722)	-	-	-
Shareholders of MAHB:				
Dividend paid	(250,241)	(250,241)	(250,241)	(250,241)
Reimbursement of expenses	569	(687)	569	(687)

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

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

	Group		Company	
	2019	2018	2019	2018
Income/(expenses) (Contd.):	RM'000	RM'000	RM'000	RM'000
Companies related to a company with significant influence over MBB Group:				
Claims paid	(8,873)	(5,116)	-	-
Gross premium/contribution income	18,445	15,417	-	-
Interest on subordinated obligations	-	(9,198)	-	-

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

	Group 2019	Group 2018	Company 2019	Company 2018
Ultimate holding company:				
Bank balances	320,124	269,540	1,817	1,866
Fixed deposits	274,271	401,027	-	759
Structured deposits	27,699	50,474	-	-
Derivative liabilities, net	22,542	(13,825)	-	-
Income and profits due and accrued	225	808	3	1
Insurance/Takaful receivables	-	417	-	-
Insurance/Takaful payables	-	(2)	-	-
Claim liabilities	(58,402)	(57,683)	-	-
Outstanding premium/ contributions	8,389	8,774	-	-
Amount due to ultimate holding company	(9,031)	-	-	-
Other assets	31	3,436	-	-
Other liabilities	(17,726)	(31,293)	-	-

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

(ii) Included in the Statement of Financial Position of the Group and of the Company are investments placed with and amounts due from/(to) related companies as follows (Contd.):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fellow subsidiaries/associates within the MAHB Group:				
Other assets	-	-	1,116	5,062
Other liabilities	-	-	-	(667)
Other related companies within the MBB Group:				
Bank balances	-	3,050	330	-
Fixed and call deposits	610,812	376,402	-	-
Islamic investment account	-	33,521	-	-
Income and profits due and accrued	2,195	21,468	9	-
Insurance/Takaful receivables	-	40	-	-
Outstanding premiums/ contributions	99	153	-	-
Other assets	4,583	6,437	-	-
Other liabilities	(4,405)	(2,252)	-	-
Reinsurance assets	-	(970)	-	-
Insurance/Takaful payables	-	(7)	-	-
Amount due from related companies	86	-	-	-
Amount due to related companies	(342)	-	-	-
Claims liabilities	(64)	(50)	-	-
Companies with significant influence over the MBB Group:				
Outstanding premium	2,645	-	-	-
Claims liabilities	(1,810)	-	-	-
Takaful payables	(31)	-	-	-
Shareholders of MAHB:				
Other payables	(285)	-	-	-
Amount due from shareholders of MAHB/EIHSB	1,083	-	-	-

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

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Short-term employee benefits				
Fees	6,307	5,001	1,759	1,442
Salaries, allowances and bonuses	8,147	6,524	3,285	3,308
Contribution to EPF and pension scheme	1,216	904	569	484
Share option granted under ESOS	-	891	-	850
Other emoluments	1,688	-	659	-
	17,358	13,320	6,272	6,084

(iv) The movements in the number of RSU granted and vested to key management personnel were as follows:

	Group 2019 '000	Group 2018 '000	Company 2019 '000	Company 2018 '000
At 1 January	-	2,989	-	1,291
Right issue				
Vested and exercisable	-	384	-	384
Exercised	-	(2,984)	-	(1,671)
Expired	-	(23)	-	(4)
Resignation of key management personnel	-	(385)	-	-
Appointment of key management personnel	-	19	-	-
At 31 December	-	-	-	-

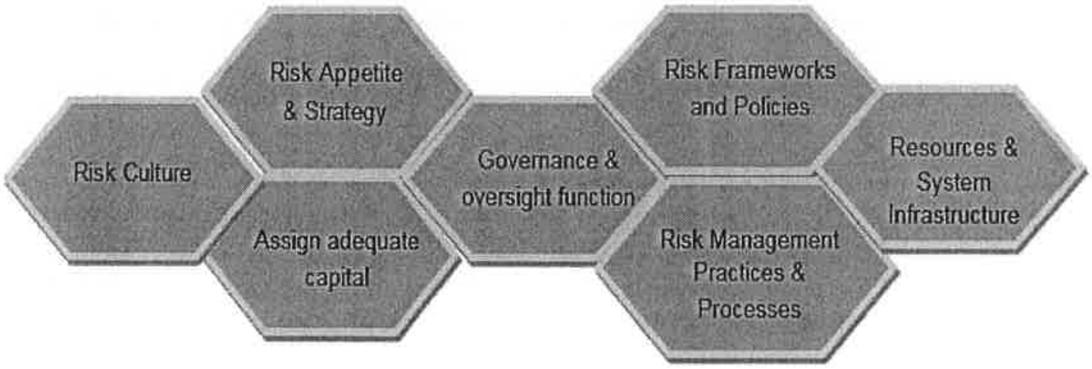
(v) The number of shares awarded for ESGP to key management personnel were as follows:

Award date	Group 2019 '000	Group 2018 '000	Company 2019 '000	Company 2018 '000
At 1 January	604	-	208	-
Awarded	632	604	208	208
At 31 December	1,236	604	416	208

45. INTEGRATED RISK MANAGEMENT FRAMEWORK

The Integrated Risk Management Framework ("IRMF") encapsulates the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Bhd ("EGTB") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the Group".

Seven (7) key building blocks have been set which serve as the foundation for risk management and executed in accordance with the standards and risk appetite set by the Board.



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

Principles

The approach to risk management is premised on the following seven (7) broad principles:

- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Ensure Governance and Oversight Function
- Promote Strong Risk Culture
- Establish Adequate Risk Framework and Policies
- Establish Risk Management Practices and Processes
- Ensure Sufficient Resources and System Infrastructures

45. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Appetite and Strategy

The establishment of the Group's risk appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite should enable the Board of Directors ("the Board") and Senior Management to communicate, understand and assess the types and levels of risks that they are willing to accept in pursuit of their business objectives.

Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising from business transactions are consistent with the risk profile and risk appetite established.

Governance and Risk Oversight

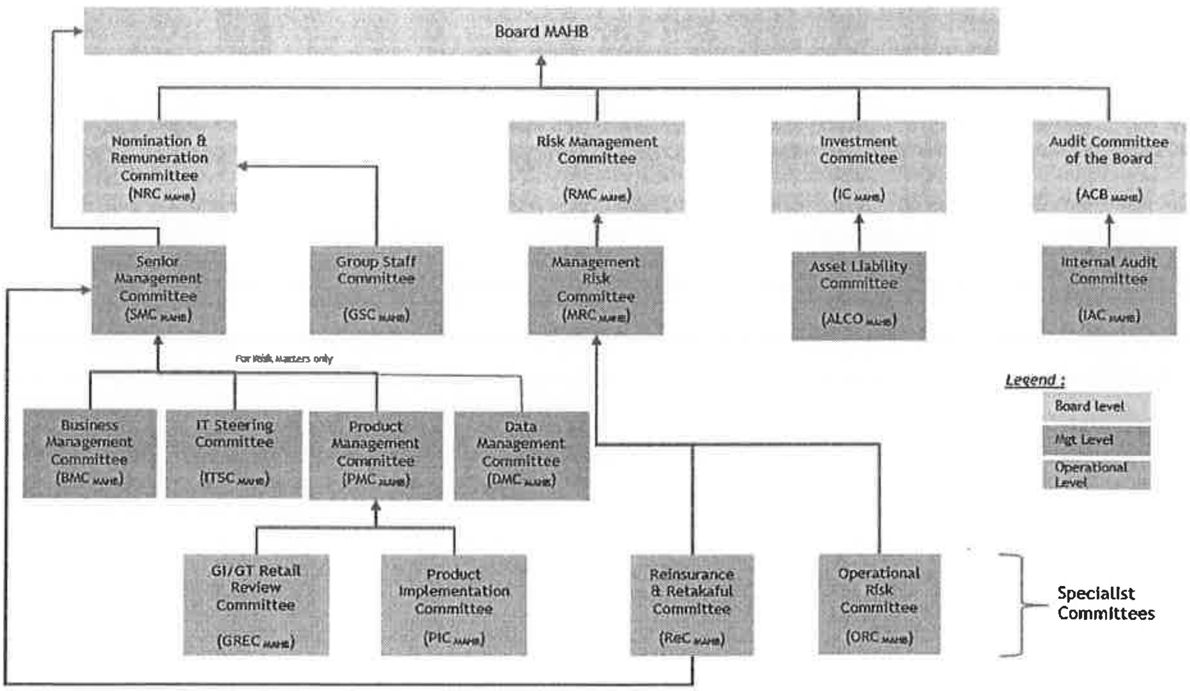
The Group continuously enhances its integrated risk management approach towards effective management of enterprise-wide risks. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of Committees, business lines, control and reporting functions.

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

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function. The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Boards, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").

45. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (Contd.)



Note: The risk matters that can't be adequately addressed in management committees will be tabled to Management Risk Committee for further deliberation and review.

The risk governance structure in place aims to ensure appropriate accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) lines of defence which include the risk taking units, risk control units and internal audit.

Board

The MAHB Board, together with the ELIB, EFTB, EGIB, EGTB and EIPL Boards, have the final responsibility for all business activities, including risk management. The Boards have delegated specific matters to sub-Boards Committees, such as Shariah matters to Shariah Committee ("SC"), risk matters to the Risk Management Committee ("RMC"), Audit matters to the Audit Committee of the Board ("ACB") and investment matters to the Investment Committee ("IC").

Board Oversight Committee of Innovation and Technology ("BOC IT") was implemented by Board in third quarter of 2019 to oversee the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical innovation and technology projects including regulatory changes; and, to ensure the relevant initiatives are adequately funded and resourced. The terms of reference of the relevant Committees as well as IRMF are to be reviewed in 2020.

The following Management Level Committees are established to support the Board in terms of risk governance on the business activities.

45. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Senior Management Committee ("SMC")

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

Management Risk Committee ("MRC")

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

Asset Liability Committee ("ALCO")

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

Internal Audit Committee ("IAC")

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports. IAC is also responsible in deliberating and ensuring the adequacy and timeliness of the remedial actions; and, to support ACB in all audit related matters.

Product Management Committee ("PMC")

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

Data Management Committee ("DMC")

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

Information Technology Steering Committee ("ITSC")

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

The following Operational Level Committees are established to support the Management level committees at MAHB level in the discharge of their duties.

45. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Operational Risk Committee ("ORC")

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

General Reinsurance & Retakaful Committee ("GReC")

GReC acts as the risk governance body in relation to the reinsurance management of the General Insurance & Takaful policies. The scope of the GReC covers General Reinsurance, Inwards and Outwards Reinsurance for the Insurance & Takaful Group.

Motor and Fire Committees were implemented at entity level to deliberate and formulate action plans on the management of Motor and Fire businesses respectively.

Risk Culture

Risk culture is a vital component in strengthening the Group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The risk culture can be strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

In line with the evolving market environment and dynamics within the Group and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

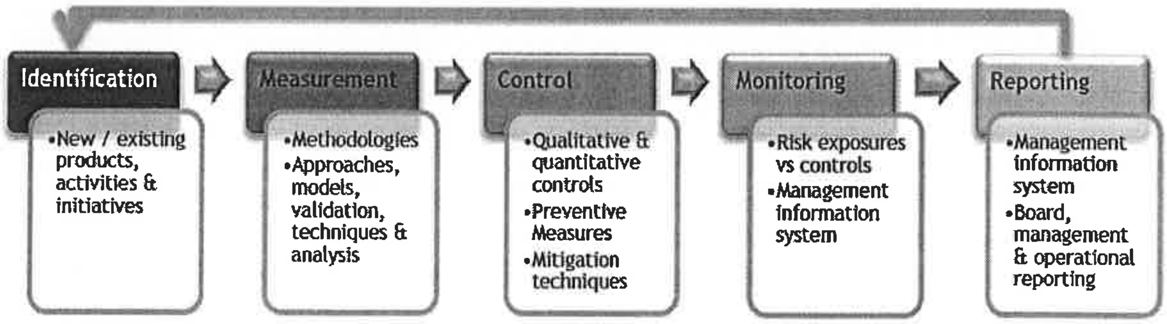
45 INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Management Practices and Processes

Risk management practices and processes are a fundamental component of the risk principles. It is essential in enabling systematic identification, measurement, control, monitoring and reporting of risk exposures.

To enable an effective execution of risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group. The standard classification of risks are detailed as part of Maybank Group Risk Universe.

There are five (5) main stages of the risk management process which form a continuous cycle are as follows:



Resource and System Insfrastructure

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

(i) Resources

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

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

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

45. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

(ii) System infrastructure

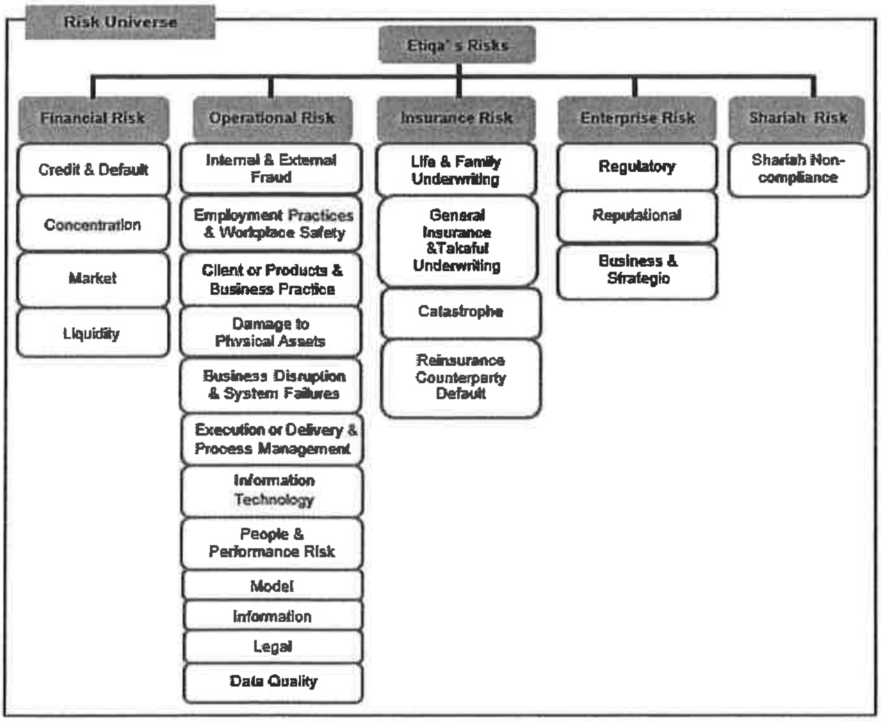
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities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

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

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

Risk universe

The major risk clusters are listed in the risk universe which consists of financial, insurance, operational, enterprise and shariah risk. The following chart illustrates the risk types that are applicable to the businesses and operations.



Risk management department works hand-in-hand with compliance department, legal department and shariah division on risk related matters.

46. INSURANCE/TAKAFUL RISK

Group

Insurance/Takaful risk relates to the inherent risk associated with the underwriting activities of Life Insurance, Family Takaful, General Insurance and General Takaful business. Such risks include pricing, reserving, product, underwriting, catastrophe and reinsurance/retakaful counterparty default. Analyses are performed to ensure that insurance/takaful risks remain within the group's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Reinsurance/retakaful offers financial protection to insurers/takaful operators against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance/retakaful companies are the counterparty risk of reinsurers and retakaful operators failing to honor their obligations. The Group monitors the reinsurers/retakaful operators creditworthiness on a monthly basis.

The Group has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Group's guidelines and standards.

(i) **Life and Family underwriting risk**

The Life and Family underwriting risk reflects the adverse changes in the level, trend, or volatility of mortality, longevity, disability/morbidity, lapse/persistency and expense experience that is different from the expectation/best estimate assumptions, either in pricing or reserving, therefore affecting the profitability of underwriting.

(ii) **General Insurance and Takaful ("GI/GT") underwriting risk**

GI/GT underwriting risk reflects the adverse changes in the level, trend or volatility/fluctuation of claims settlement experience in terms of timing, frequency and severity of insured events that are different compared to expectations/best estimate assumptions, either from pricing or reserving, therefore affecting the profitability of the underwriting portfolio.

(iii) **Catastrophe risk**

Catastrophe risk is the risk of loss or adverse changes in the value of Insurance/Takaful liabilities due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks for Life and Family businesses, flood and earthquake for General insurance and takaful businesses, etc.), which can cause an accumulated loss or single large loss.

(iv) **Counterparty default risk**

The counterparty default risk reflects possible losses due to unexpected default of counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts, such as reinsurance/retakaful arrangements, securitisations and derivatives, and receivables from intermediaries. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance

Group

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

	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Malaysia						
Whole life	979,773	-	979,773	779,981	-	779,981
Endowment	3,910,095	-	3,910,095	3,535,560	-	3,535,560
Mortgage	981,033	(60,562)	920,471	866,311	(45,830)	820,481
Term assurance	277,706	-	277,706	288,405	-	288,405
Annuity	841,962	-	841,962	746,378	-	746,378
Others	126,877	-	126,877	122,240	-	122,240
	7,117,446	(60,562)	7,056,884	6,338,875	(45,830)	6,293,045
Singapore						
Whole life	2,109,696	(103)	2,109,593	372,756	(2,815)	369,941
Endowment	800,716	(5,585)	795,131	1,583,580	(218)	1,583,362
Mortgage	3	(3)	-	-	-	-
Term assurance	452	(76)	376	306	(64)	242
Annuity	-	-	-	-	-	-
Others	784	(52)	732	613	(32)	581
	2,911,651	(5,819)	2,905,832	1,957,255	(3,129)	1,954,126
Total	10,029,097	(66,381)	9,962,716	8,296,130	(48,959)	8,247,171

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(ii) Key Assumptions

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

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

(a) Discount rate

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

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(ii) Key Assumptions (Contd.)

(b) Mortality and morbidity rates

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

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

(c) Lapse and surrender rates

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

(d) Expenses

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

(iii) Sensitivity Analysis

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(iii) Sensitivity Analysis (Contd.)

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

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Life Insurance - Malaysia					
2019					
Discount rate *	-1%	568,509	562,711	(282,137)	(264,918)
Mortality and morbidity rates	+/- 10% (adverse)	144,674	129,766	(103,143)	(78,389)
Lapse and surrender rates	+/- 10% (adverse)	32,644	32,145	(7,070)	(5,373)
Expenses	+10%	41,303	41,303	(33,503)	(25,462)
2018					
Discount rate *	-1%	474,235	470,726	(200,706)	(190,377)
Mortality and morbidity rates	+/- 10% (adverse)	129,746	119,092	(95,514)	(72,590)
Lapse and surrender rates	+/- 10% (adverse)	22,444	22,703	(875)	(665)
Expenses	+10%	31,774	31,774	(24,799)	(18,847)

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(iii) Sensitivity Analysis (Contd.)

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
<u>Life Insurance - Singapore</u>					
2019					
Discount rate *	-1%	20,326	19,685	(19,685)	(16,338)
Mortality and morbidity rates	+/- 10% (adverse)	5,536	9,466	(9,466)	(7,856)
Lapse and surrender rates	+/- 10% (adverse)	12,396	14,993	(14,993)	(12,445)
Expenses	+10%	14,786	14,777	(14,777)	(12,266)
2018					
Discount rate *	-1%	9,554	8,580	(8,461)	(7,023)
Mortality and morbidity rates	+/- 10% (adverse)	5,302	4,249	(4,190)	(3,478)
Lapse and surrender rates	+/- 10% (adverse)	11,104	10,931	(10,779)	(8,946)
Expenses	+10%	8,474	8,362	(8,246)	(6,843)

* excludes impact on fixed income assets.
** the impact on net liabilities results in a correponding, but opposite sign impact on profit before tax and equity.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund

Group

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

	2019			2018		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	2,185,888	-	2,185,888	1,718,340	-	1,718,340
Mortgage	4,062,590	(101,270)	3,961,320	3,593,071	(63,030)	3,530,041
Term assurance	34,478	-	34,478	34,363	-	34,363
Annuity	761,228	-	761,228	714,791	-	714,791
Others	447,354	-	447,354	674,153	-	674,153
Total	7,491,538	(101,270)	7,390,268	6,734,718	(63,030)	6,671,688

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

(ii) **Key Assumptions**

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (Contd.)

Group

(ii) Key Assumptions (Contd.)

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

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

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

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

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (Contd.)

Group

(iii) Sensitivity analysis

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

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

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

* excludes impact on profit rate assets.
** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (Contd.)

Group

(iii) Sensitivity analysis (Contd.)

2018	% change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Discount rate *	-1%	324,743	318,310	(58,578)	(58,578)
Mortality and morbidity rates	+/- 10% (adverse)	299,232	252,296	(46,493)	(46,493)
Lapse and surrender rates	+/- 10% (adverse)	16,312	17,569	(3,706)	(3,706)
Expenses	+10%	11,681	11,681	(2,485)	(2,485)

* excludes impact on profit rate assets.
** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance

Group

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

	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Malaysia						
Motor	286,423	(7,252)	279,171	223,638	(7,447)	216,191
Fire	222,189	(103,263)	118,926	217,961	(112,062)	105,899
Marine, Aviation, Cargo and Transit	570,879	(553,831)	17,048	544,032	(529,072)	14,960
Miscellaneous	200,498	(75,810)	124,688	201,808	(85,038)	116,770
	1,279,989	(740,156)	539,833	1,187,439	(733,619)	453,820
Singapore						
Motor	37,380	(1,364)	36,016	27,735	(1,694)	26,041
Fire	34,281	(7,987)	26,294	43,181	(7,507)	35,674
Marine, Aviation, Cargo and Transit	5,676	(2,530)	3,146	3,565	(1,466)	2,099
Miscellaneous	96,796	(17,866)	78,930	100,682	(32,615)	68,067
	174,132	(29,748)	144,386	175,163	(43,282)	131,881
Total	1,454,121	(769,904)	684,219	1,362,602	(776,901)	585,701

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(ii) Key Assumptions and Methods

The estimation of claims liabilities based on Bank Negara Malaysia's Risk-Based Capital Framework for Insurers requires all general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

The assumptions used in the projection methodologies, including future rates of claims inflation, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect any one-off occurrences, changes in external or market factors such as the public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process explicitly by adding in a provision of risk margin for adverse deviation ("PRAD") for the best estimate of the cost of future claim payments.

The methodology used in deriving the ULAE is the same as last year. A loading is applied directly to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE.

Unallocated loss adjustment expense	2019	2018
Malaysia - Unallocated loss adjustment expense to paid loss ratio	5%	5%

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iii) Sensitivity analysis

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development in earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the general insurance fund's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Accordingly, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and equity.

General Insurance - Malaysia	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2019					
Net Incurred Claims Ratio	+ 5%	63,213	25,009	(25,009)	(19,007)
	- 5%	(63,213)	(25,009)	25,009	19,007
2018					
Net Incurred Claims Ratio	+ 5%	57,420	21,274	(21,274)	(16,168)
	- 5%	(57,420)	(21,274)	21,274	16,168

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iii) Sensitivity analysis (Contd.)

General Insurance - Singapore	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2019					
Net Incurred Claims Ratio	+ 5%	9,809	6,678	(6,678)	(5,542)
	- 5%	(9,809)	(6,678)	6,678	5,542
2018					
Net Incurred Claims Ratio	+ 5%	9,154	5,851	(5,770)	(4,789)
	- 5%	(9,154)	(5,851)	5,770	4,789

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

(iv) Claims development table

The following tables show estimated incurred claims for the insurance subsidiary, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the insurance subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The insurance subsidiary gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

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

	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	As at 31 December 2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Gross outstanding claim liabilities (A) - (B)	118,500	27,514	1,275,897	131,699	60,652	143,860	312,174	743,224	2,813,520
Gross outstanding claim liabilities for Brunei and Treaty Inward									59,224
Gross outstanding claim liabilities for Singapore									128,523
Unallocated loss adjustment expenses									7,160
Best estimate of gross claim liabilities									3,008,427
PRAD									197,299
At 31 December 2019									3,205,726

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

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

	Before 2013 RM'000	2013 RM'000	2014 RM'000	As at 31 December 2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Net outstanding claim liabilities (A) - (B)	3,128	5,173	7,107	10,663	12,829	17,437	51,189	152,807	260,333
Net outstanding claim liabilities for Brunei and Treaty Inward									58,738
Net outstanding claim liabilities for Singapore									99,818
Unallocated loss adjustment expenses									7,160
Best estimate of net claim liabilities									426,049
PRAD									45,921
At 31 December 2019									471,970

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

	Before	As at 31 December							
	2012	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Estimate of gross cumulative claims:									
At the end of accident year		640,233	687,574	3,368,421	472,373	500,223	650,926	623,423	
1 year later		670,334	507,493	3,324,465	644,826	427,229	653,549		
2 years later		655,020	600,092	3,870,607	677,394	408,481			
3 years later		681,399	552,955	3,318,450	655,504				
4 years later		654,031	559,641	3,297,763					
5 years later		656,948	555,274						
6 years later		648,754							
Estimate of gross cumulative claims (A)		648,754	555,274	3,297,763	655,504	408,481	653,549	623,423	
Estimate of gross cumulative payments to date:									
At the end of accident year		229,494	167,692	1,120,319	117,553	115,349	228,448	114,737	
1 year later		359,755	307,101	1,383,292	382,244	249,580	417,498		
2 years later		472,739	408,804	1,774,084	441,823	315,396			
3 years later		531,619	483,555	1,923,898	482,763				
4 years later		554,919	494,548	2,003,707					
5 years later		598,787	509,307						
6 years later		600,238							
Gross cumulative payments (B)		600,238	509,307	2,003,707	482,763	315,396	417,498	114,737	

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

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

	Before 2012 RM'000	As at 31 December 2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Gross outstanding claim liabilities (A) - (B)	101,540	48,516	45,967	1,294,056	172,741	93,085	236,051	508,686	2,500,642
Gross outstanding claim liabilities for Brunei and Treaty Inward									60,969
Gross outstanding claim liabilities for Singapore									126,218
Unallocated loss adjustment expenses									5,852
Best estimate of gross claim liabilities									2,693,681
PRAD									196,986
At 31 December 2018									2,890,667

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
				As at 31 December					
Estimate of net cumulative claims:									
At the end of accident year		271,700	283,985	263,503	255,864	248,567	206,014	216,540	
1 year later		258,324	265,906	251,303	249,573	227,268	201,881		
2 years later		260,331	274,429	246,969	244,085	227,688			
3 years later		264,442	273,160	238,975	244,196				
4 years later		261,799	270,774	240,031					
5 years later		260,463	269,263						
6 years later		256,169							
Estimate of net cumulative claims (A)		256,169	269,263	240,031	244,196	227,688	201,881	216,540	
Estimate of net cumulative payments to date:									
At the end of accident year		113,841	131,720	113,052	105,240	109,745	95,787	105,268	
1 year later		211,743	224,674	195,128	197,502	183,464	161,937		
2 years later		239,069	244,820	215,245	220,400	207,112			
3 years later		247,803	255,638	225,251	229,927				
4 years later		251,671	259,964	231,551					
5 years later		252,483	261,876						
6 years later		253,119							
Net cumulative payments (B)		253,119	261,876	231,551	229,927	207,112	161,937	105,268	

46. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

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

	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
				As at 31 December					
Net outstanding claim liabilities (A) - (B)	2,969	3,050	7,387	8,480	14,269	20,576	39,944	111,272	207,947
Net outstanding claim liabilities for Brunei and Treaty Inward									60,145
Net outstanding claim liabilities for Singapore									99,815
Unallocated loss adjustment expenses									5,852
Best estimate of net claim liabilities									373,759
PRAD									41,830
At 31 December 2018									415,589

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund

Group

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

	2019 Gross RM'000	2019 Retakaful RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Retakaful RM'000	2018 Net RM'000
Motor	1,173,888	(7,610)	1,166,278	912,271	(6,328)	905,943
Fire	192,876	(50,037)	142,839	195,868	(56,503)	139,365
Marine Cargo, Aviation Cargo and Transit	14,985	(11,398)	3,587	13,866	(11,570)	2,296
Miscellaneous	222,955	(52,180)	170,775	187,370	(45,994)	141,376
	1,604,704	(121,225)	1,483,479	1,309,375	(120,395)	1,188,980

(ii) **Key Assumptions and methods**

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(ii) Key Assumptions and methods (Contd.)

The assumptions used in the projection methodologies, including future rates of claims inflation are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are explicitly allowed for in the reserving process by adding in a PRAD for the best estimate of the cost of future claim payments.

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

(iii) Sensitivity analyses

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful fund (Contd.)

Group

(iii) Sensitivity analyses (Contd.)

Illustrative results of sensitivity analyses for the general takaful fund's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and the participants' fund.

	% change in Key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2019					
Incurred Claims Ratio	+ 5%	75,690	68,692	(68,692)	(52,206)
	- 5%	(75,690)	(68,692)	68,692	52,206
2018					
Incurred Claims Ratio	+ 5%	62,477	57,062	(57,062)	(43,367)
	- 5%	(62,477)	(57,062)	57,062	43,367

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table

The following tables show the Takaful subsidiary's estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the takaful subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The Takaful subsidiary gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

Analysis of claims development - Gross Takaful Certificate Liabilities

	Before	As at 31 December							
	2013	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims:									
At the end of accident year		565,662	589,933	660,739	783,911	724,824	725,826	946,499	
1 year later		554,495	617,750	639,081	816,040	723,792	698,316		
2 years later		564,434	608,081	608,828	817,518	713,777			
3 years later		569,810	601,915	616,600	826,331				
4 years later		575,192	592,831	615,472					
5 years later		545,569	592,733						
6 years later		538,217							
Estimate of gross cumulative claims to date (A)		538,217	592,733	615,472	826,331	713,777	698,316	946,499	

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

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

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
					As at 31 December				
Estimate of cumulative payments to date:									
At the end of accident year		238,771	231,130	264,533	310,865	345,399	343,275	452,201	
1 year later		405,337	470,575	461,390	578,438	569,587	547,544		
2 years later		463,144	532,800	544,056	657,527	649,221			
3 years later		488,313	557,757	585,241	691,344				
4 years later		500,352	572,230	594,240					
5 years later		522,387	576,534						
6 years later		524,380							
Gross cumulative claims paid to date (B)		524,380	576,534	594,240	691,344	649,221	547,544	452,201	
Best estimate of gross claim liabilities (A) - (B)	12,847	13,837	16,199	21,232	134,987	64,556	150,772	494,298	908,728
PRAD									72,652
Gross takaful claim liabilities as at 31 December 2019									981,380

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Retakaful

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	As at 31 December 2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Estimate of cumulative claims:									
At the end of accident year		506,657	532,858	630,670	708,666	699,503	699,161	913,619	
1 year later		477,414	506,414	610,264	664,057	699,550	671,700		
2 years later		486,131	496,700	586,008	664,219	689,778			
3 years later		488,639	490,130	589,008	660,648				
4 years later		492,758	483,011	586,707					
5 years later		483,230	482,964						
6 years later		479,101							
Estimate of net cumulative claims to date (A)		479,101	482,964	586,707	660,648	689,778	671,700	913,619	
Estimate of cumulative payments to date:									
At the end of accident year		235,297	227,238	259,797	307,415	340,963	340,369	450,254	
1 year later		383,436	386,400	449,210	521,478	559,277	538,219		
2 years later		433,014	435,687	525,894	599,827	632,054			
3 years later		456,352	458,229	562,333	628,770				
4 years later		466,121	471,323	571,010					
5 years later		472,146	475,518						
6 years later		474,234							
Net cumulative claims paid to date (B)		474,234	475,518	571,010	628,770	632,054	538,219	450,254	
Best estimate of net claim liabilities (A) - (B)	6,400	4,867	7,446	15,697	31,878	57,724	133,481	463,365	720,858
PRAD									52,678
Net claim liabilities as at 31 December 2019									773,536

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

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Takaful Certificate Liabilities

Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	As at 31 December 2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Estimate of cumulative claims:									
At the end of accident year		479,285	565,662	589,933	660,739	783,911	724,824	725,826	
1 year later		466,666	554,495	617,750	639,081	816,040	723,792		
2 years later		458,241	564,434	608,081	608,828	817,518			
3 years later		463,180	569,810	601,915	616,600				
4 years later		459,482	575,192	592,831					
5 years later		462,151	545,569						
6 years later		455,204							
Estimate of gross cumulative claims to date (A)		455,204	545,569	592,831	616,600	817,518	723,792	725,826	
Estimate of cumulative payments to date:									
At the end of accident year		187,973	238,771	231,130	264,533	310,865	345,399	343,275	
1 year later		366,008	405,337	470,575	461,390	578,438	569,587		
2 years later		413,088	463,144	532,800	544,056	657,527			
3 years later		432,662	488,313	557,757	585,241				
4 years later		440,634	500,352	572,230					
5 years later		446,638	522,387						
6 years later		448,828							
Gross cumulative claims paid to date (B)		448,828	522,387	572,230	585,241	657,527	569,587	343,275	
Best estimate of gross claim liabilities (A) - (B)	14,796	6,376	23,181	20,600	31,360	159,991	154,205	382,550	793,059
PRAD									76,193
Gross claim liabilities as at 31 December 2018									869,253

46. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Retakaful

Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	As at 31 December 2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Estimate of cumulative claims:									
At the end of accident year		456,465	506,657	532,858	630,670	708,666	699,503	699,161	
1 year later		447,504	477,414	506,414	610,264	664,057	699,550		
2 years later		441,755	486,131	496,700	586,008	664,219			
3 years later		446,237	488,639	490,130	589,008				
4 years later		442,678	492,758	483,011					
5 years later		444,549	483,230						
6 years later		438,822							
Estimate of net cumulative claims to date (A)		438,822	483,230	483,011	589,008	664,219	699,550	699,161	
Estimate of cumulative payments to date:									
At the end of accident year		186,608	235,297	227,238	259,797	307,415	340,963	340,369	
1 year later		356,576	383,436	386,400	449,210	521,478	559,277		
2 years later		399,389	433,014	435,687	525,894	599,827			
3 years later		417,899	456,352	458,229	562,333				
4 years later		425,427	466,121	471,323					
5 years later		430,113	472,146						
6 years later		432,413							
Net cumulative claims paid to date (B)		432,413	472,146	471,323	562,333	599,827	559,277	340,369	
Best estimate of net claim liabilities (A) - (B)	6,383	6,409	11,084	11,688	26,675	64,392	140,273	358,792	625,696
PRAD									55,552
Net claim liabilities as at 31 December 2018									681,248

47. FINANCIAL RISKS

(i) Credit Risk

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

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

Credit risk arises when a borrower or counterparty is no longer able to pay their debt. The Group's exposure to credit risk arises mainly from fixed income investment activities.

The Group measures and manages credit risk following the philosophy and principles below:

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

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

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

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

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure

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

Group	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
2019				
Financial assets at				
FVTPL	8,237,407	6,431,114	1,292,527	15,961,048
FVOCI	2,543,824	5,454,446	3,288,222	11,286,492
AC	1,640,095	1,154,385	499,967	3,294,447
Financing receivables	218,860	-	59,472	278,332
Reinsurance/retakaful assets	3,097,459	350,273	-	3,447,732
Insurance/Takaful receivables	389,718	203,462	-	593,180
Other assets	255,226	154,442	78,064	487,732
Derivative assets	35,151	-	-	35,151
Cash and bank balances	212,737	153,449	37,967	404,153
	16,630,477	13,901,571	5,256,219	35,788,267

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

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure (Contd.)

Group 2018	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
Financial assets at				
FVTPL	9,400,947	518,221	5,975,982	15,895,150
FVOCI	1,639,179	4,693,909	1,705,866	8,038,954
AC	1,059,905	760,067	536,386	2,356,358
Financing receivables	212,911	-	49,454	262,365
Reinsurance/retakaful assets	2,826,127	305,975	-	3,132,102
Insurance/Takaful receivables	375,194	138,826	-	514,020
Other assets	315,953	185,681	81,240	582,874
Derivative assets	4,124	-	-	4,124
Cash and bank balances	250,153	165,646	71,347	487,146
	16,084,493	6,768,325	8,420,276	31,273,093

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure (Contd.)

	Company 2019 RM'000	2018 RM'000
Financial assets at		
FVOCI	529,994	-
AC	27,425	11,807
Financing receivables	3,231	2,083
Other assets	13,082	4,790
Cash and bank balances	881	1,864
	574,613	20,544

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit quality of financial assets

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

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

Risk category is as described below:

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

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

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

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

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

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

Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.

Sovereign : Refer to obligors which are governments and/or government-related agencies.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating

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

Group	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019							
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	468,444	-	-	-	-	-	468,444
Singapore government securities	87,384	-	-	-	-	-	87,384
Debt securities, structured products, NCDs & NICDs	4,812,676	3,350,247	6,163,097	470,610	-	-	14,796,630

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group 2019	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
Financial assets at FVTPL (Contd.)							
(ii) HFT							
Malaysian government papers	36,119	-	-	-	-	-	36,119
Debt securities, structured products, NCDs & NICDs	91,380	74,476	231,070	69,685	-	-	466,611
Fixed and call deposits							
- Licensed financial institutions	-	105,860	-	-	-	-	105,860
Financial assets at FVOCI							
Malaysian government papers	1,015,000	-	-	-	-	-	1,015,000
Singapore government securities	602,766	-	-	-	-	-	602,766
Debt securities, structured products, NCDs & NICDs	2,862,505	2,722,417	3,848,093	235,711	-	-	9,668,726

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group 2019	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
Financial assets at AC							
Fixed and call deposits	-	2,706,269	588,178	-	-		3,294,447
Financing receivables	-	-	-	-	-	278,332	278,332
Reinsurance/retakaful assets	-	53,180	637,889	1,169,584	2	1,254,123	3,114,778
Insurance/Takaful receivables	-	372	8,241	13,558	-	571,009	593,180
Other assets	107,963	103,124	117,987	7,392	-	151,268	487,734
Derivative assets	-	34,275	-	-	-	876	35,151
Cash and bank balances	-	398,746	2,687	338	-	2,382	404,153
	10,084,237	9,548,967	11,597,242	1,966,878	2	2,257,990	35,455,315

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2018							
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	562,540	-	-	-	-	-	562,540
Singapore government securities	45,184	-	-	-	-	-	45,184
Debt securities, structured products, NCDs & NICDs	-	3,611,656	5,873,393	424,280	-	4,875,690	14,785,019
(ii) HFT							
Malaysian government papers	37,307	-	-	-	-	-	37,307
Debt securities, structured products, NCDs & NICDs	-	63,023	206,820	37,973	-	36,085	343,901
Fixed and call deposits							
- Licensed financial institutions	-	117,199	4,000	-	-	-	121,199

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group 2018	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
Financial assets at FVOCI							
Malaysian government papers	643,762	-	-	-	-	-	643,762
Singapore government securities	612,149	-	-	-	-	-	612,149
Debt securities, structured products, NCDs & NICDs	117,991	2,049,086	2,775,859	69,945	-	1,770,162	6,783,043
Financial assets at AC							
Fixed and call deposits	-	1,852,645	503,713	-	-	-	2,356,358
Financing receivables	-	2,084	-	-	-	260,281	262,365
Reinsurance/retakaful assets	-	342,812	27,634	659,691	20	2,101,945	3,132,102
Insurance/Takaful receivables	-	4,448	-	1,381	727	507,464	514,020
Other assets	17,934	139,054	126,066	4,680	-	295,140	582,874
Derivative assets	-	4,124	-	-	-	-	4,124
Cash and bank balances	-	480,714	3,720	178	-	2,534	487,146
	2,036,867	8,666,845	9,521,205	1,198,128	747	9,849,301	31,273,092

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating

Company	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019							
Financial assets at FVOCI							
Malaysian government papers	135,140	-	-	-	-	-	135,140
Debt securities, structured products, NCDs & NICDs	51,719	96,645	205,588	40,902	-	-	394,854
Financial investments at AC							
Fixed and call deposits	-	27,425	-	-	-	-	27,425
Financing receivables	-	-	-	-	-	3,231	3,231
Other assets	2,530	7,392	2,732	428	-	-	13,082
Cash and bank balances	-	881	-	-	-	-	881
	189,389	132,343	208,320	41,330	-	3,231	574,613
2018							
Financial assets at AC							
Fixed and call deposits	-	11,807	-	-	-	-	11,807
Financing receivables	-	2,083	-	-	-	-	2,083
Other assets	-	4,790	-	-	-	-	4,790
Cash and bank balances	-	1,864	-	-	-	-	1,864
	-	20,544	-	-	-	-	20,544

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Investment assets - reconciliation of allowance account

Significant increase in credit risk

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

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

Expected credit loss

The Group and the Company assess the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to the Group and the Company. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Group and the Company are required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance is measured for the Group and the Company during the year are mostly due to the debt security is classified as Watchlist ("WL") or downgraded bond whichever it is assesses at the reporting date.

The determination of whether a financial asset is credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Investment assets - Reconciliation of allowance account (Contd.)

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

Group 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVOCI				
Sovereign	4,322,043	158,224	-	4,480,267
Very low	2,622,121	105,347	-	2,727,468
Low	3,812,801	30,242	-	3,843,043
Medium	235,711	-	-	235,711
Total carrying amount	10,992,676	293,813	-	11,286,489
Total ECL	(4,296)	(167)	(165)	(4,628)

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

Group 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVOCI				
At 1 January 2019	3,892	277	200	4,369
Net adjustment of loss allowance	(984)	(60)	-	(1,044)
New financial assets originated or purchased	2,034	78	-	2,112
Financial assets that have been derecognised	(513)	(110)	(35)	(658)
Write-offs	(133)	(18)	-	(151)
At 31 December 2019	4,296	167	165	4,628

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Investment assets - Reconciliation of allowance account (Contd.)

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

Group	Stage 1	Stage 2	Stage 3	
2018	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVOCI				
Sovereign	2,894,069	141,011	-	3,035,080
Very low	1,921,576	127,509	-	2,049,085
Low	2,740,940	34,920	-	2,775,860
Medium	69,945	-	-	69,945
Unrated	108,984	-	-	108,984
Total carrying amount	7,735,514	303,440	-	8,038,954
Total ECL	(3,892)	(277)	(200)	(4,369)

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Investment assets - Reconciliation of allowance account (Contd.)

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

Group **2018**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL not credit impaired**	**Stage 3** **Lifetime ECL credit impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI				
At 1 January 2018	3,328	613	200	4,141
Net adjustment of loss allowance	(53)	(43)	-	(96)
New financial assets originated or purchased	1,605	36	-	1,641
Financial assets that have been derecognised	(988)	(329)	-	(1,317)
At 31 December 2018	3,892	277	200	4,369

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Investment assets - Reconciliation of allowance account (Contd.)

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

Company 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Financial assets at FVOCI				
Sovereign	186,859	-	-	186,859
Very low	96,645	-	-	96,645
Low	205,588	-	-	205,588
Medium	40,902	-	-	40,902
High	-	-	-	-
Unrated	-	-	-	-
Total carrying amount	529,994	-	-	529,994
Total ECL	(363)	-	-	(363)

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

Company 2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Financial assets at FVOCI				
At 1 January 2019	-	-	-	-
New financial assets originated or purchased	363	-	-	363
At 31 December 2019	363	-	-	363

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Other financial assets - Reconciliation of allowance account

Prior to 1 January 2019, the Group and the Company assess the impairment loss of its receivables where impairment loss is deemed to be incurred if there is objective evidence that loss event(s) has occurred which has an impact on the estimated future cash flows of the receivables that can be reliably measured and the carrying amount exceed the recoverable amount. Losses expected as a result of future events, no matter how likely, are not permitted to be recognised. Assessment of impairment falls under the concept of individual and collective assessment. The method of measuring for impairment individually or collectively on receivables will depend on the significance of the receivables amount.

Upon implementation of MFRS 9, the Group and the Company apply Simplified Approach where the ECL is measured at initial recognition of the receivables using a provision matrix based on historical data or also known as roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance premium type's arrangement respectively with forward looking element being applied to it.

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

Group	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000
2019					
Lifetime ECL					
At 1 January 2019	11,596	2,642	13,963	11,395	39,596
Net adjustment of loss allowance	(836)	9,908	17,381	(5,819)	20,634
At 31 December 2019	10,760	12,550	31,344	5,576	60,230
2018					
Lifetime ECL					
At 1 January 2018	11,596	1,928	21,235	10,527	45,286
Net adjustment of loss allowance	-	714	(7,272)	868	(5,690)
At 31 December 2018	11,596	2,642	13,963	11,395	39,596

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Other financial assets - Reconciliation of allowance account (Contd.)

Company	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000
2019					
Lifetime ECL					
At 1 January 2019	4	-	-	7,161	7,165
Net adjustment of loss allowance	-	-	-	-	-
At 31 December 2019	4	-	-	7,161	7,165
2018					
Lifetime ECL					
At 1 January 2018	1	-	-	7,161	7,162
Net adjustment of loss allowance	3	-	-	-	3
At 31 December 2018	4	-	-	7,161	7,165

47. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Financial Effects of Collateral Held

The main types of collateral held as security by the Group to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash value of policies
Corporate loans	Charges over properties, lands being financed and bank guarantees
Secured staff/non-staff loans	Charges over residential properties and vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 96% as at 31 December 2018 (2018: 95%). The financing receivables amounted to RM262.4 million as at 31 December 2019 (2018: RM257.8 million) are collateralised.

The remaining balance of financing receivables are not collateralised.

Company

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables of the Company is 100% as at 31 December 2019 (2018: 100%). The financing receivables amounted to RM2 million as at 31 December 2019 (2018: RM1.1 million) are collateralised.

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk

Liquidity risk is the risk of an adverse impact to the Group's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The objective of liquidity risk management is to have sufficient cash availability to meet policyholders' liabilities, such as surrenders, withdrawal, claims and the maturity benefits, and other contract holders without endangering the business financials due to constraints on liquidating assets.

The Group measures and manages liquidity risk following the philosophy and principles below:

(a) The Risk Management and Investment Management Department actively monitor the cash flows associated and derived from assets and liabilities of the Group through the ALCO platform; and

(b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets at all times.

(c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

Maturity Profiles

The table below summarises the maturity profile of the financial and insurance assets and liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts/takaful certificates liabilities and reinsurance/retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

Premium/contribution liabilities, the reinsurers' share of premium/contribution liabilities and expense liabilities relating to general takaful have been excluded form the analysis as there are no contractual obligations to make payments on those liabilities.

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group **2019**	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
FVTPL	18,572,766	1,280,735	5,172,833	18,973,213	2,615,936	28,042,718
FVOCI	11,286,492	1,122,110	4,473,863	10,921,069	-	16,517,042
AC	3,294,447	3,392,732	-	-	-	3,392,732
Financing receivables	278,332	225,460	24,442	32,619	-	282,520
Reinsurance/retakaful assets*	3,114,779	2,338,768	674,160	137,756	-	3,150,683
Insurance/Takaful receivables	612,729	549,779	-	-	-	549,779
Other assets	943,872	707,357	-	-	49,185	756,542
Derivative assets	35,151	35,151	-	-	-	35,151
Cash and bank balances	404,153	8,652	-	-	385,122	393,775
Total assets	38,542,721	9,660,743	10,345,298	30,064,657	3,050,243	53,120,941
Insurance/Takaful contract liabilities	28,471,781	10,464,273	3,462,165	22,210,663	445,612	36,582,713
Subordinated obligation	-	-	-	-	-	-
Expense liabilities	535,282	36,108	107,212	598,158	-	741,478
Derivative liabilities	-	-	-	-	-	-
Insurance/Takaful payables	666,286	666,286	-	-	-	666,286
Other liabilities	1,801,859	1,786,193	14,262	403	-	1,800,859
Interest/profit payable on subordinated obligation	-	-	-	-	-	-
Total liabilities	31,475,208	12,952,860	3,583,639	22,809,224	445,612	39,791,336

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group 2018	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
FVTPL	18,554,242	1,536,368	5,402,975	19,760,931	2,532,754	29,233,028
FVOCI	8,038,954	1,080,529	3,372,079	7,755,297	-	12,207,905
AC	2,356,326	2,477,525	-	-	-	2,477,525
Financing receivables	262,366	220,921	23,366	33,701	-	277,988
Reinsurance/retakaful assets*	2,782,111	2,009,426	711,019	122,854	-	2,843,299
Insurance/Takaful receivables	530,129	530,129	-	-	-	530,129
Other assets	878,351	878,169	-	-	180	878,349
Derivative assets	4,125	4,125	-	-	-	4,125
Cash and bank balances	487,146	395,147	-	-	91,999	487,146
Total assets	33,893,750	9,132,339	9,509,439	27,672,783	2,624,934	48,939,494

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group 2018 (Contd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Insurance/Takaful contract liabilities**	24,592,564	9,335,485	3,066,412	18,902,880	167,091	31,471,868
Subordinated obligation	300,000	300,000	-	-	-	300,000
Expense liabilities	445,941	36,108	107,212	598,158	-	741,478
Derivative liabilities	15,463	15,463	-	-	-	15,463
Insurance/Takaful payables	581,517	581,520	-	-	-	581,520
Other liabilities	1,532,700	1,532,676	-	-	-	1,532,676
Interest/profit payable on subordinated obligations	1,189	1,189	-	-	-	1,189
Total liabilities	27,469,374	11,802,441	3,173,624	19,501,038	167,091	34,644,194

* Excluding premium/contribution liabilities.
** Excluding premium/contribution liabilities and FVOCI reserves for General Takaful fund.
*** Excluding expense liabilities relating to General Takaful fund.

Other non-financial assets and liabilities of the Group are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Company **2019**	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
FVTPL	-	-	-	-	-	-
FVOCI	529,994	63,846	320,448	262,839	-	647,133
AC	27,425	27,425	-	-	-	27,425
Financing receivables	3,231	732	1,936	564	-	3,232
Reinsurance/retakaful assets*	-	-	-	-	-	-
Insurance/Takaful receivables	-	-	-	-	-	-
Other assets	13,082	-	-	-	-	-
Derivative assets	-	-	-	-	-	-
Cash and bank balances	883	883	-	-	-	883
Total assets	574,615	92,886	322,384	263,403	-	678,673
Insurance/Takaful contract liabilities**	-	-	-	-	-	-
Subordinated obligation	-	-	-	-	-	-
Expense liabilities	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-
Insurance/Takaful payables	-	-	-	-	-	-
Other liabilities	19,609	19,609	-	-	-	19,609
Interest/profit payable on subordinated obligation	-	-	-	-	-	-
Total liabilities	19,609	19,609	-	-	-	19,609

47. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Company

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2018						
Financial investments:						
FVTPL	-	-	-	-	-	-
FVOCI	-	-	-	-	-	-
AC	11,807	11,807	-	-	-	11,807
Financing receivables	2,083	2,084	-	-	-	2,084
Reinsurance/retakaful assets*	-	-	-	-	-	-
Insurance/Takaful receivables	-	-	-	-	-	-
Other assets	4,790	4,790	-	-	-	4,790
Derivative assets	-	-	-	-	-	-
Cash and bank balances	1,864	1,864	-	-	-	1,864
Total assets	20,544	20,545	-	-	-	20,545
Insurance/Takaful contract liabilities**	-	-	-	-	-	-
Subordinated obligation	-	-	-	-	-	-
Expense liabilities	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-
Insurance/Takaful payables	-	-	-	-	-	-
Other liabilities	-	13,267	-	-	-	13,267
Interest/profit payable on subordinated obligation	-	-	-	-	-	-
Total liabilities	-	13,267	-	-	-	13,267

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market risk is the risk of loss or of adverse change in the Group's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market risk comprises three (3) types of risk:

(a) foreign exchange rates;
(b) market interest/profit rates; and
(c) equity price risk.

The Group has three main key features in respect of its market risk management practices and policies:

(a) The Group's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Group's risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.

(b) Compliance with the policies is monitored and exposures and breaches are reported as soon as practical.

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Group also issues investment-linked investment policies with a number of products. In the investment-linked business, the policyholders/participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of market risk in the following pages do not include analyses on the impact of such risks on the investment-linked funds.

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(a) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Hong Kong Dollar, Singapore Dollar, Brunei Dollar and US Dollar.

As the Group's business is conducted primarily in Malaysia, the Group's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013 and the Islamic Financial Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its insurance/takaful and investment contract liabilities.

The Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk.

(b) Interest/Profit Rate Risk

Interest/profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates.

Interest/profit rate risks arise from exposures to interest/profit rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Group.

The Group measures and manages interest/profit rate risk mainly based on the following three philosophies and principles.

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
(b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality; and
(c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Interest/Profit Rate Risk (Contd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

	2019		2018	
Changes in variables	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
+100 basis points	(122,123)	(300,479)	(491,566)	(431,221)
-100 basis points	122,123	300,479	491,566	431,221

* Impact on equity is after tax of 24% for Malaysia operations and 17% for Singapore operation.

(c) Equity Price Risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/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 equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, which principally comprise all investment securities other than those held in the investment-linked funds.

The Group's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may incur over time.

47. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(c) Equity Price Risk (Contd.)

<u>Group</u>

		2019		2018	
	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Bursa	+10%	21,220	(16,127)	16,062	(28,595)
Malaysia	-10%	(21,220)	16,127	(16,062)	28,595

* Impact on equity is after tax of 24% for Malaysia operations and 17% for Singapore operation.

(iv) Concentration Risk

Concentration risk refers to the risk associated with the potential losses associated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Group and its core operations causing material adverse impact to the earnings, capital or total assets.

Concentration risk relates to non-diversified portfolios and arises due to high exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The Group's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, market and issuer, having regard also to such limits stipulated by BNM.

The Group complied with BNM stipulated limits during the financial year and had no significant concentration risk.

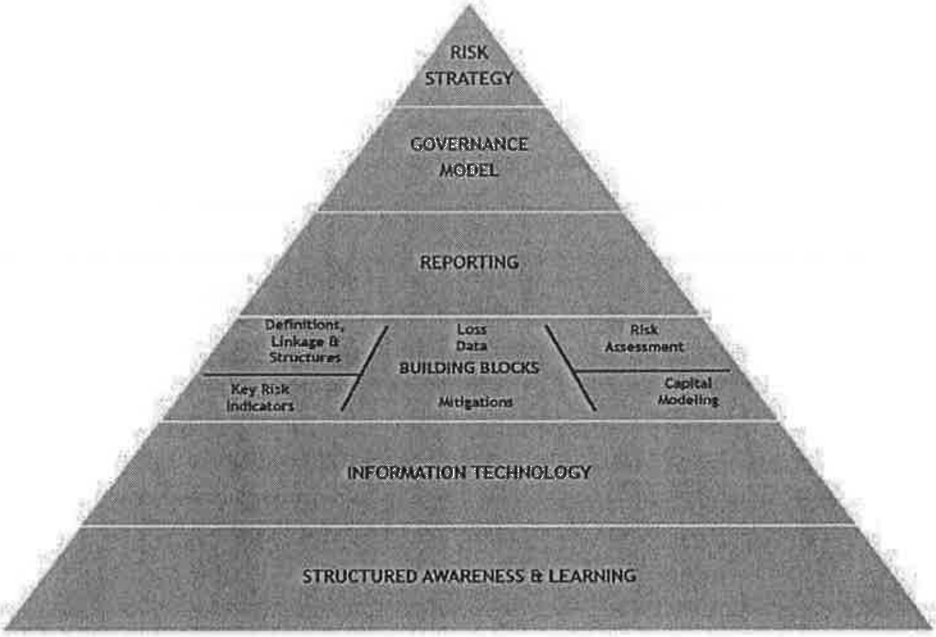
48. OPERATIONAL RISKS

Operational Risk Management ("ORM") is the discipline of systematically identifying the causes of failures in the organisation’s day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

48. OPERATIONAL RISKS (CONTD.)

The methodology and components adopted in operational risk are summarised in the diagram below.



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective operational risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the operational risks that affect the Company are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and Cyber Risk related assessment through awareness and learning programme.

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also include fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

(ii) External Fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External fraud could arise from system security risk, i.e.failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

48. OPERATIONAL RISKS (CONTD.)

(iii) Employment Practices and Workplace Safety

(i) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation, and low morale;

(ii) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and

(iii) Diversity & discrimination - failure to provide equalities in the employment practice.

(iv) Client or Products and Business Practices

This risk covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

(viii) Information Technology Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber Risk that can lead to losses due to cyber-crime and cyber terrorism.

48. OPERATIONAL RISKS (CONTD.)

(ix) People & Performance Risk

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

(x) Model Risk

Risk of a model not performing the tasks or capture the risks it was designed to.

(xi) Information Risk

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

(xii) Legal Risk

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

49. ENTERPRISE RISK

Risk or loss or adverse impact arising from business/strategic, industry, corporate governance and systematic risk. Enterprise risk covers the external and internal factors that can impact the Group's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave and can also be due to poor internal decision making and management or due to loss of reputation. Enterprise Risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real/entire economy.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment, legislation.

49. ENTERPRISE RISK (CONTD.)

(ii) Corporate Governance Risk

Risk of failure in the process and structure used to direct and manage the business and affairs of MAHB Group towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iii) Industry Risk

Risk arising from changes in opportunities, threats, competitors and other conditions affecting the attractiveness of an industry.

(iv) Distribution Risk

This is the risk of a loss due to distribution plans deviating adversely from expectations, especially in reliance on external parties and partners for the distribution and may include causes such as lack of alignment of incentives, poor relationship management and lack of sufficient bargaining power in the relationship.

(v) Reputational Risk

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

(vi) Business & Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

50. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
(e) Movements of Level 3 instruments; and
(f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Group has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

50. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (Contd.)

The levels of the Fair Value hierarchy as defined by MFRS are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

- Level 2 : No Active Market – Valuation techniques using observable inputs

  Refers to inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

  Examples of level 2 financial instruments include corporate and government bonds, structured products, NCDs/NICDs,and over- the- counter ("OTC") derivatives.

- Level 3 : No Active Market – Valuation techniques using unobservable inputs

  Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. The chosen valuation technique incorporates management's assumptions and data.

  Examples of level 3 financial instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

50. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques

(i) Cash and cash equivalents and other receivables/payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest/profit rates which are comparable with the rates offered on similar instruments in the market and to counterparties with similar credit profiles. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance/Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(xii) and 2.2(xxii). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(viii) and 2.2(ix). The carrying amounts and fair values of investments are disclosed in Note 9 to the financial statements.

(v) Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

50. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy

Group	Valuation technique using :			
	Level 1	Level 2	Level 3	
2019	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets				
Investment properties	-	-	914,550	914,550
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	468,444	-	468,444
Singapore government securities	87,384	-	-	87,384
Equity securities	400,808	-	-	400,808
Unit and property trust funds	39,701	-	-	39,701
Other debt securities, structured products NCDs and NICDs	1,104,380	13,692,250	-	14,796,630
(ii) Held-for-trading (HFT)				
Malaysian government papers	-	36,119	-	36,119
Equity securities	1,889,603	-	145,356	2,034,959
Unit and property trust funds	135,950	-	-	135,950
Other debt securities, structured products NCDs and NICDs	-	466,611	-	466,611
Fixed and call deposits Licensed financial institutions	-	105,860	-	105,860

50. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (Contd.)

Group	Valuation technique using : Level 1	Level 2	Level 3	
2019	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets (Contd.)				
Financial investments at FVOCI				
Malaysian government papers	-	1,015,000	-	1,015,000
Singapore government papers	602,766	-	-	602,766
Debt securities, structured products, NCDs and NICDs	1,238,396	8,430,327	-	9,668,723
Derivative assets	-	35,151	-	35,151
Total assets	5,498,988	24,249,762	1,059,906	30,808,656
2018				
Assets				
Investment properties (excluding IPUC)	-	-	588,224	588,224
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	381,084	-	381,084
Singapore government securities	364,461	-	-	364,461
Other debt securities, structured products NCDs and NICDs	585,879	11,494,496	-	12,080,375

50. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (Contd.)

Group	Valuation technique using : Level 1	Level 2	Level 3	
2018	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets (Contd.)				
(ii) Held-for-trading (HFT)				
Equity securities	969,222	-	-	969,222
Malaysian government papers	-	92,762	-	92,762
Redeemable loan stock	-	-	-	-
Unit and property trust funds	53,539	-	-	53,539
Other debt securities, structured products and NCDs	-	263,458	-	263,458
Financial investments at AFS				
Malaysian government papers	19,901	717,156	-	737,057
Singapore government papers	37,695	-	-	37,695
Equity securities	2,163,272	-	-	2,163,272
Unit and property trust funds	93,424	-	-	93,424
Irredeemable loan stock				
Debt securities, structured products, NCDs and NICDs	937,673	6,607,455	-	7,545,128
Assets				
Derivative assets	-	12,733	-	12,733
Total assets	5,225,066	19,569,144	588,224	25,382,434
Liabilities				
Derivative Liabilities	-	(25,806)	-	(25,806)
Total liabilities	-	(25,806)	-	(25,806)

50. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (Contd.)

Company

2019	Valuation technique using : Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	Total RM'000
Assets				
Financial investments at FVOCI				
Malaysian government papers	-	135,140	-	135,140
Debt securities, structured products, NCDs and NICDs	-	394,854	-	394,854
	-	529,994	-	529,994

(d) Transfer between Level 1 and Level 2 in the fair value hierarchy

Assets and liabilities of the Group and the Company are recognised in the financial statements on a recurring basis. The Group and the Company determine whether transfers have occurred between fair value hiarerchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfer between Level 1 and Level 2 for the Group and the Company during the financial years ended 31 December 2019 and 31 December 2018.

50. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 instruments

Group

<u>2019</u>

	Investment properties RM'000	Financial instruments measured at fair value: Designated at FVTPL RM'000	Total RM'000
As at 1 January	890,672	140,157	1,030,829
Effect of adoption of MFRS 9			-
As at 1 January (as restated)	890,672	140,157	1,030,829
Recognised in income statement:			
Realised gain	-	-	-
Fair value gain	21,082	5,199	26,281
Purchases	2,796	-	2,796
As at 31 December	914,550	145,356	1,059,906
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	21,082	5,199	26,281

50. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 instruments (Contd.)

Group	Financial instruments measured at fair value			
	Investment properties RM'000	AFS RM'000	Designated at FVTPL RM'000	Total RM'000
2018				
As at 1 January	588,224	108,766	80,814	777,804
Recognised in income statement:				
Realised gain	-	4,761	3,540	8,301
Fair value gain/(loss)	31,708	-	(21,754)	9,954
Recognised in other comprehensive income as fair value gain	-	(29,277)	-	(29,277)
Reclassification on completion of IPUC	271,260	-	-	271,260
Disposals	(520)	(84,250)	(62,600)	(147,370)
As at 31 December	890,672	-	-	890,672
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	1,935	4,761	(18,214)	(11,518)
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	-	(29,277)	-	(29,277)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

The Group's exposure to financial instruments measured with valuation techniques using significant unobservable inputs comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

51. SIGNIFICANT EVENTS

(a) Redemption on Tier-2 on Capital Subordinated Sukuk of RM300,000,000 in Etiqa Family Takaful Berhad ("EFTB")

On 18 March 2019, BNM approved EFTB's redemption exercise for the Tier-2 Capital Subordinated Sukuk Musharakah of RM300.0million (the Sukuk). Subsequently, EFTB exercised the call option to redeem the Sukuk on 30 May 2019. The Sukuk had been issued on 30 May 2014 with a tenure of ten (10) years from issue date on 10 non-callable 5 year basis, with interest rate of 4.52% per annum payable semi-annually and is due on 2024.

(b) Capital Injection from MAHB into Etiqa Insurance Pte. Ltd. ("EIPL"), Singapore

On 29 May 2019, the MAHB Board had approved the proposed capital injection of S$25m by MAHB into EIPL. The capital injection is required to meet the Par Fund requirement in Singapore to ensure the EIPL's Life Business Bonus Supportability Ratio ("BSR") is at least at 100% as required by MAS, and to provide a sufficient level of buffer for the insurer.

BNM Foreign Exchange Administration approved the overseas money remittance on 4 September 2019. Subsequently, S$15m was transferred to EIPL on 13 September 2019 whereas the remaining S$10m was transferred to EIPL on 13 December 2019.

52. SUBSEQUENT EVENTS

Disposal of Etiqa Overseas Investment Private Limited ("EOIPL"), a holding company of Pak Kuwait Takaful Company Limited ("PKTCL") in Pakistan

On 29 May 2019, the Board of Directors of MAHB has approved the proposal to sell EOIP to a potential buyer. The management of MAHB is currently in the process of going through few arrangements before they can finalise the deal. These include obtaining approval from the relevant authorities and also EOIP acquiring remaining shares in the associate company, PKTCL from the other shareholders before MAHB can proceed the deal with the potential buyer.

53. CAPITAL MANAGEMENT

The Company is currently not subject to externally imposed capital requirements. Internally, capital is managed in accordance with the aim to provide adequate returns to its shareholders without resulting in deterioration of its current capital position.

The capital of the Group is also managed in accordance with this aim, subject as well to the external requirements imposed on its subsidiaries by the various regulators as disclosed in Note 8.

54. INSURANCE FUNDS

The Group's principal activities are organised by funds and segregated into Shareholders', General, Life, General Takaful and Family Takaful funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.
The Group's statement of financial position and Income Statement have been further analysed by funds.
The Life and Family Takaful insurance businesses offer a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products.
The General Insurance and General Takaful insurance businesses offer general insurance/takaful products which include Motor, Fire, Marine, Aviation and Transit ("MAT"), Health & Surgical and Miscellanous products.

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2019

	Total		* Consolidation elimination		Shareholders' and General Funds		Life Fund		General Takaful Fund		Family Takaful Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets:												
Property, plant and equipment	124,065	120,943			86,410	81,227	37,655	39,716	-	-	-	-
Investment properties	914,550	890,672			(19,420)	(22,168)	933,970	912,840	-	-	-	-
Prepaid land lease payments	17,584	18,070			16,769	17,229	815	841	-	-	-	-
Right-of-use assets	23,119	-			23,119	-	-	-	-	-	-	-
Intangible assets	93,440	93,158			45,537	51,182	47,903	41,976	-	-	-	-
Investment in associates	1,238	1,238			1,238	1,238	-	-	-	-	-	-
Investments	33,153,705	28,924,918	*(22,128)*	*(24,632)*	6,348,436	4,946,701	13,358,401	11,995,394	2,003,790	1,697,218	11,465,206	10,310,237
Financing receivables	278,332	262,365			54,606	50,537	223,726	211,828	-	-	-	-
Reinsurance/retakaful assets	3,447,732	3,132,102			3,022,925	2,773,886	74,534	52,241	239,075	232,173	111,198	73,802
Insurance/takaful receivables	593,180	514,020			347,721	342,808	41,997	32,386	83,063	63,235	120,399	75,591
Other assets	499,471	604,206			153,502	157,022	191,510	261,493	21,859	19,568	132,600	166,123
Derivative assets	35,151	4,124			1,278	296	33,873	3,828	-	-	-	-
Deferred tax assets	19,459	22,521			8,843	8,260	1,972	4,421	4,128	6,983	4,516	2,857
Current tax assets	152,886	135,037			128,591	108,783	-	1,190	3,883	3,883	20,412	21,181
Cash and bank balances	404,153	487,146			120,350	190,544	130,354	130,956	33,260	62,114	120,189	103,532
Total Assets	39,758,065	35,210,520			10,339,905	8,707,545	15,076,710	13,689,110	2,389,058	2,085,174	11,974,520	10,753,323
Equity and liabilities:												
Share capital	660,866	660,866			660,866	660,866	-	-	-	-	-	-
Reserves	5,955,988	5,379,339	*(2,128)*	*(3,632)*	5,958,116	5,382,971	-	-	-	-	-	-
	6,616,854	6,040,205			6,618,982	6,043,837	-	-	-	-	-	-
Liabilities:												
Insurance/takaful contract liabilities	29,844,344	25,799,681	*(20,000)*	*(21,000)*	3,859,212	3,473,621	12,580,472	10,353,703	1,929,211	1,706,242	11,495,449	10,287,115
Subordinated obligations	-	300,000			-	300,000	-	-	-	-	-	-
Expense liabilities	683,995	573,531			683,995	573,531	-	-	-	-	-	-
Derivative liabilities	-	15,463			-	249	-	15,214	-	-	-	-
Deferred tax liabilities	558,980	414,328			306,035	302,841	187,363	110,397	12,540	-	53,042	1,090
Insurance/takaful payables	642,361	566,452			438,544	421,867	59,390	42,404	114,642	68,666	29,785	33,515
Other liabilities	1,357,464	1,218,263			(1,675,958)	(2,690,998)	2,304,513	3,167,392	332,665	310,266	396,244	431,603
Interest/profit payable on subordinated obligations	-	1,189			-	1,189	-	-	-	-	-	-
Current tax liabilities	54,067	281,408			109,095	281,408	(55,028)	-	-	-	-	-
Total Liabilities	33,141,211	29,170,315			3,720,923	2,663,708	15,076,710	13,689,110	2,389,058	2,085,174	11,974,520	10,753,323
Total equity and liabilities	39,758,065	35,210,520			10,339,905	8,707,545	15,076,710	13,689,110	2,389,058	2,085,174	11,974,520	10,753,323

** The consolidation elimination indicated the group inter-fund elimination.*

54. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Total		Consolidation elimination		Shareholders' Funds		General fund		Life Fund		General Takaful Fund		Family Takaful Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue	8,955,641	8,044,091	*(890,914)*	*(767,863)*	1,027,171	1,175,106	1,549,351	1,190,929	3,420,001	3,032,061	1,684,131	1,377,617	2,165,901	2,036,241
Gross earned premiums/contributions	7,461,363	6,641,683	*(89)*	*(35)*	-	-	1,408,247	1,279,854	2,864,677	2,542,927	1,513,789	1,249,513	1,674,739	1,569,424
Earned premiums/contributions ceded to reinsurers/retakaful	(1,013,670)	(950,992)			-	-	(775,948)	(735,607)	(32,062)	(26,130)	(133,445)	(121,302)	(72,215)	(67,953)
Net earned premiums/contributions	6,447,693	5,690,691			-	-	632,299	544,247	2,832,615	2,516,797	1,380,344	1,128,211	1,602,524	1,501,471
Fee and commission income	81,422	77,075	*(878,892)*	*(753,262)*	859,835	753,261	88,268	58,977	4,392	645	7,458	16,177	361	1,277
Investment income	1,357,549	1,259,760			188,528	178,590	43,197	56,979	555,324	489,132	79,338	68,242	491,162	466,817
Realised (losses)/gains	163,278	(452,455)			11,503	(40,893)	36	(7,650)	108,378	(240,822)	6,254	(4,918)	37,107	(158,172)
Fair value (losses)/gains	1,250,510	(61,794)			119,207	27,902	12,170	(7,251)	697,615	(134,483)	2,613	(1,721)	418,905	53,759
Other operating income/(expenses), net	(56,465)	26,808			(3,876)	3,080	(14,008)	16,509	(46,291)	6,912	(2,435)	1,722	10,145	(1,415)
Other revenue	2,796,294	849,394			1,175,197	921,940	129,663	117,564	1,319,418	121,384	93,228	79,502	957,680	362,266
Gross benefits and claims paid	(3,790,298)	(3,289,043)			5,665	-	(764,940)	(609,785)	(1,143,298)	(1,060,699)	(789,424)	(728,707)	(1,098,301)	(889,852)
Claims ceded to reinsurers	539,694	404,798			(5,104)	-	451,094	310,705	12,724	13,582	22,013	32,733	58,967	47,778
Gross change in contract/certificate liabilities	(3,658,215)	(1,525,370)			2,196	-	(314,772)	(36,543)	(2,180,896)	(957,855)	(166,855)	(13,260)	(997,888)	(517,712)
Change in contract/certificate liabilities ceded to reinsurers/retakaful	342,508	15,574			-	-	262,995	38,126	22,280	11,820	19,837	(29,089)	37,396	(5,283)
Net benefits and claims	(6,566,311)	(4,394,041)			2,757	-	(365,623)	(297,497)	(3,289,190)	(1,993,152)	(914,429)	(738,323)	(1,999,826)	(1,365,069)
Management expenses	(885,247)	(811,798)	*89*	*35*	(455,584)	(414,334)	(182,302)	(170,378)	(220,670)	(203,505)	-	-	(26,780)	(23,616)
Reimbursement of Shared Services	30,774	45,326			30,774	45,326	-	-	-	-	-	-	-	-
Change in expense liabilities	(110,464)	(11,107)			(110,464)	(11,107)	-	-	-	-	-	-	-	-
Fee and commission expenses	(631,278)	(516,254)	*878,892*	*753,262*	(258,763)	(239,036)	(144,933)	(103,038)	(226,624)	(173,386)	(514,345)	(411,804)	(365,505)	(342,252)
Interest on subordinated obligations	(5,535)	(24,092)			(5,535)	(24,092)	-	-	-	-	-	-	-	-
Tax borne by policyholders/participants	(144,849)	(27,162)			-	-	-	-	(111,655)	(30,546)	(11)	2,824	(33,183)	560
Other expenses	(1,746,599)	(1,345,087)			(799,572)	(643,243)	(327,235)	(273,416)	(558,949)	(407,437)	(514,356)	(408,980)	(425,468)	(365,308)
Profit before tax before surplus transfer from Insurance and Takaful funds	931,077	800,957			378,382	278,697	69,104	90,898	303,894	237,592	44,787	60,410	134,910	133,360
Surplus transfer from:														
- General Fund	-	-			52,143	74,327	(52,143)	(74,327)	-	-	-	-	-	-
- Life Par Fund	-	-			42,790	36,898	-	-	(42,790)	(36,898)	-	-	-	-
- Life Non Par Fund	-	-			256,573	200,694	-	-	(256,573)	(200,694)	-	-	-	-
- General Takaful Fund	-	-			44,787	60,410	-	-	-	-	(44,787)	(60,410)	-	-
- Family Fund	-	-			134,910	133,360	-	-	-	-	-	-	(134,910)	(133,360)
Profit before tax after surplus transfer from Insurance and Takaful funds	931,077	800,957			909,585	784,386	16,961	16,571	4,531	-	-	-	-	-
Taxation	(234,111)	(85,740)			(212,619)	(69,169)	(16,961)	(16,571)	(4,531)	-	-	-	-	-
Zakat	(7,696)	(16,209)			(7,696)	(16,209)	-	-	-	-	-	-	-	-
Surplus paid to participants	-	-			-	-	-	-	-	-	-	-	-	-
Net profit for the year	689,270	699,008			689,270	699,008	-	-	-	-	-	-	-	-