

**ETIQA FAMILY TAKAFUL BERHAD**  
**(266243-D)**  
**(Formerly known as Etiga Takaful Berhad)**  
**(Incorporated in Malaysia)**

**Directors' Report, Statement of Corporate Governance,  
Report of the Shariah Committee and Audited Financial  
Statements**

**31 December 2017**

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**ETIQA FAMILY TAKAFUL BERHAD**  
**(formerly known as Etiqa Takaful Berhad)**  
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**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2017.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the management of general takaful, family takaful and takaful investment-linked businesses.

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

**CHANGE OF NAME**

On 1 January 2018, the MAHB Group has successfully completed the Conversion of Composite Licences to Single Licences ("Licence Split") and surrendered the composite licences in exchange for the four single licences. Consequently, the Company was renamed to Etiqa Family Takaful Berhad, and will be principally engaged in the underwriting of family takaful and takaful investment-linked business.

**RESULTS**

	<b>RM'000</b>
Net profit for the financial year	
- Continuing operations	193,479
- Discontinued operation	146,350
	<u><b>339,829</b></u>

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

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

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**DIVIDENDS**

The amount of dividend paid by the Company since 31 December 2016 was as follows :

	<b>RM'000</b>
- 87.50 sen per share, single-tier tax exempt dividend on 400,000,000 ordinary shares	<u>350,000</u>

The interim dividend was declared on 14 September 2017 and paid on 20 December 2017.

**MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")**

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Schemes ("ESOS") and Restricted Share Units ("RSU").

The maximum number of ordinary shares of RM1 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB 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:

Dato' Majid Mohamad (Chairman)	(Appointed as Director on 1 September 2017, redesignated as Chairman on 1 January 2018)
Datuk R. Karunakaran	(Resigned on 1 January 2018)
Philippe Pol Arthur Latour (Vice Chairman)	
Loh Lee Soon	(Resigned on 1 January 2018)
Frank J.G. Van Kempen	(Resigned on 1 January 2018)
Koh Heng Kong	(Resigned on 1 January 2018)
Zainal Abidin Jamal	(Resigned on 31 December 2017)
Dato' Mohamed Rafique Merican	
Bin Mohd Wahiduddin Merican	
Prof. Dr. Ismail Mohd @ Abu Hassan	(Resigned on 22 September 2017)
Dato' Johan Ariffin	(Appointed on 1 September 2017)
Prof. Dr. Abdul Rahim Abdul Rahman	(Appointed on 1 October 2017)

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**DIRECTORS (CONT'D.)**

Pursuant to Article 96 of the Company's Constitution, Dato' Mohamed Rafique Merican shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer himself for re-election.

Pursuant to Article 102 of the Company's Constitution, Dato' Majid Mohamad and Prof. Dr. Abdul Rahim Abdul Rahman shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

**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 arising from the ESOS and the RSU pursuant to the ESS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, as disclosed in Notes 27, 28 and 39 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' 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, ESOS and RSU of the ultimate holding company, MBB, during the financial year were as follows:

	Numbers of ordinary shares of RM1 each			As at 31.12.2017
	As at 1.1.2017/ Date of Appointment	Issued pursuant to		
		RSU	DRP*	
<b>Direct Interest:</b>				
Dato' Johan Ariffin <sup>(1)</sup>	299,179	-	5,983	305,162
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	97,946	71,496	-	169,442

(1) Appointed as Director on 1 September 2017

\*DRP = Dividend Reinvestment Plan

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**DIRECTORS' INTERESTS (CONT'D.)**

	<u>Numbers of ordinary shares of RM1</u>		
	<b>As at 1.1.2017</b>	<b>Acquired during the year</b>	<b>As at 31.12.2017</b>
<b>Indirect Interest:</b>			
Loh Lee Soon <sup>(1)</sup>	1,000	-	1,000

(1) Held through nominee

Other than as disclosed above, none of the 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.

	<u>Number of share option from ESOS over ordinary shares of RM1 each</u>				
	<b>Original Exercise Price RM</b>	<b>Granted</b>	<b>Vested as at 1.1.2017</b>	<b>Vested during the financial year</b>	<b>Vested as at 31.12.2017</b>
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	9.47	966,000	766,000	200,000	966,000

	<b>Grant date</b>	<u>Number of RSU of Ordinary shares of RM1</u>					
		<b>Granted as at 01.01.2017</b>	<b>Adjustment pursuant to DRP 01.01.2017</b>	<b>Granted as at 31.12.2017</b>	<b>Vested during the financial year</b>	<b>Not vested during the financial year</b>	<b>Outstanding as at 31.12.2017</b>
Dato' Mohamed Rafique Merican	30.04.2014	75,000	-	75,000	(71,496)	(3,504)	-
Bin Mohd Wahiduddin Merican	30.04.2015	75,000	-	75,000	-	-	75,000

The remaining ESOS and RSU which were granted to the director have not been vested as at 31 December 2017. The remaining ESOS and RSU will be vested and exercisable upon fulfillment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

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**DIRECTORS' INDEMNITY**

The Company maintained a Directors' and Officers' Liability ("D&O") Insurance at Maybank Group level throughout financial year 2017. Directors and Officers are indemnified against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. This insurance does not, however, provide coverage in the event of any negligence, fraud, breach of duty, breach of trust or fine upon conviction.

**Premium paid for D&O policy FY2016 & 2017**

<b>Limit of Liability - Group Policy</b>	<b>2016 (RM) Gross</b>	<b>2017 (RM) Gross</b>
250 Million	1,102,000.00	1,060,150.00

**CORPORATE GOVERNANCE**

The Company have 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.

**FINANCIAL HOLDING COMPANY**

The financial holding company is Maybank Ageas Holdings Berhad ("MAHB").

**IMMEDIATE AND ULTIMATE HOLDING COMPANY**

The directors regard MAHB, a company incorporated in Malaysia, as the Company's immediate holding company and MBB, a company incorporated in Malaysia as the ultimate holding company.

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**OTHER STATUTORY INFORMATION**

- (a) Before the statement of financial position and income statement 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 all known bad debts had been written off 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 takaful contract liabilities in accordance with the valuation methods prescribed specified in Part B of the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by BNM.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Company which has arisen since the end of the financial year.



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**OTHER STATUTORY INFORMATION (CONT'D)**

(f) In the opinion of the directors:

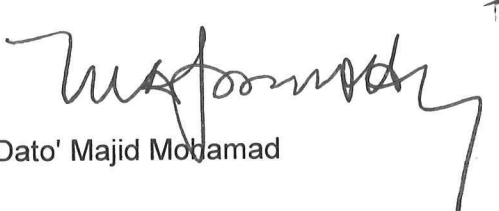
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event 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 Company for the financial year in which this report is made.


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

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office. The auditors' remunerations are as disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2018.

  
Dato' Majid Mohamad

  
Dato' Mohamed Rafique Merican  
Mohd Wahiduddin Merican

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## **STATEMENT OF CORPORATE GOVERNANCE**

### **(1) INTRODUCTION**

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

The Company adopts corporate governance practices which are in conformity with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016 and is continually enhancing standards of the overall governance of the Company.

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised by the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

### **(2) COMPOSITION, FUNCTION AND CONDUCT**

#### **(a) Board Responsibilities**

In discharging its duties, the Board is equally responsible to ensure compliance with the Islamic Financial Services Act 2013 ("the Act") and the BNM Policy Document on Corporate Governance as well as other directives. It also complies with the tenets of corporate governance by adopting best practices as stipulated under Corporate Governance for Insurers Policy.

Apart from its statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. It ensures the implementation of appropriate systems to manage risks and also reviews and approves the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through its various Committees.

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

The Company has an organisational structure disclosing all the reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are conducted annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that is required for the management of the Company.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(a) Board Responsibilities (cont'd.)**

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

	<b>Number of Board meetings attended</b>	<b>%</b>
Dato' Majid Mohamad (Re-designated as Chairman on 1 January 2018)	3/3	100
Mr. Philippe Pol Arthur Latour (Vice Chairman)	8/9	89
Dato' Johan Ariffin (Appointed on 1 September 2017)	3/3	100
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	8/9	89
Prof. Dr. Abdul Rahim Abdul Rahman (Appointed on 1 October 2017)	2/2	100
Datuk R. Karunakaran (Resigned on 1 January 2018)	9/9	100
Encik Zainal Abidin Jamal (Resigned on 31 December 2017)	8/9	89
Mr. Loh Lee Soon (Resigned on 1 January 2018)	9/9	100
Mr. Koh Heng Kong (Resigned on 1 January 2018)	9/9	100
Mr. Frank J.G. Van Kempen (Resigned on 1 January 2018)	9/9	100
Dr. Ismail Mohd @ Abu Hassan (Resigned on 22 September 2018)	6/7	86

The Board met 9 times during the year.

**(b) Directors' Profiles**

**(i) Dato' Majid Mohamad (Dato' Majid)**  
**Independent Non-Executive Director**

Dato' Majid was appointed as Director of Etiqa Family Takaful Berhad (EFTB) on 1 September 2017 and thereafter re-designated as Chairman on 1 January 2018.

Dato' Majid has extensive experience in the setting up, regulatory planning and rehabilitation of finance and insurance institutions. He started his banking career in Bank Negara Malaysia in 1977 and held various supervisory roles across key departments, from audit to economics, bank and insurance regulation.

He was Chief Executive Officer (CEO) of several life and general insurance companies in Malaysia including Pacific and Orient Insurance Berhad, Malaysia National Insurance Berhad, The People's Insurance Co. (Malaysia) Berhad and Talasco Insurance Berhad. In 2001, he facilitated the successful merger of Talasco Insurance Berhad and The People's Insurance Co. (Malaysia) Berhad. He retired as CEO and President of Labuan Reinsurance (L) Ltd at the end of 2010.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(b) Directors' Profiles (cont'd.)**

**(i) Dato' Majid Mohamad (Dato' Majid)**  
**Independent Non-Executive Director**  
**(cont'd.)**

Dato' Majid is currently the Managing Advisor of MBM Advisors (L) Ltd, a consultancy outfit based in Labuan International Business and Financial Centre, and Technical Advisor to the Labuan International Insurance association and The Lloyd's of London. He also serves in the Investment Committee of Universiti Malaysia

He is currently an INED of Alliance Islamic Bank Berhad, Alliance Investment Bank Berhad and Director of a few private limited companies including Pasdec Resources (South Africa) Ltd, MBM Advisers (L) Ltd, MBM Hartanah Setia Sdn Bhd and UMP Holdings Sdn Bhd. He is also a Director of Maybank Ageas Holdings Berhad as well as the Chairman of Etiqa General Takaful Berhad effective from 1 January 2018.

**(ii) Mr. Philippe Pol Arthur Latour (Mr. Philippe Latour)**  
**Non-Independent Non-Executive Director (Vice Chairman)**

Mr. Philippe Latour was appointed as Vice Chairman of EFTB (formerly known as Etiqa Takaful Berhad) on 1 July 2016.

Mr. Philippe Latour is presently the Chief Financial Officer (CFO) of Ageas Asia, since July 2014. He joined Ageas Group (formerly known as Fortis Group) in March 1997. He has 6.5 years working experience in CFO functions in insurance and 6 years experience as Director Equity and M&A and Financial Officer in Ageas Group. Mr. Philippe Latour started his career in 1984 with Chase Manhattan Bank in London where he served until 1989. In 1990, he joined Cobepa (Paribas Group) in Brussels as Financial Advisor in Private Equity and Corporate Finance advisory within Cobepa, investment holding and merchant banking arm of Paribas in Belgium.

At present, Mr. Philippe Latour holds directorships in Etiqa Life Insurance Berhad, Etiqa General Takaful Berhad, Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad), Ageas Insurance Company (Asia) Limited, Muang Thai Life Assurance Public Company Limited, China Taiping Asset Management Co. Ltd and IDBI Federal Life Insurance Co. Ltd.

He is also currently a member of Investment Committee and Maybank Ageas Holdings Berhad (MAHB) Board Oversight Committee for Information Technology.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(b) Directors' Profiles (cont'd.)**

**(iii) Dato' Johan Ariffin (Dato' Johan)**  
**Independent Non-Executive Director**

Dato' Johan was formerly a Director of EFTB (formerly known as Etiqa Takaful Berhad) from 2 March 2010 to 1 March 2016. He was re-appointed as Director on 1 September 2017.

Dato' Johan started his career in the real estate division of Citibank. Thereafter, he held various senior positions in several subsidiaries of public listed companies while venturing into his own successful marketing and advertising consultancy and property development business. He then headed Danaharta's Property Division as Senior General Manager before moving on to head TTDI Development Sdn Bhd up to January 2009.

His current directorships in companies within the Maybank Group are as Director of Malayan Banking Berhad, Maybank Cambodia Plc, Maybank Ageas Holdings Berhad, Etiqa General Takaful Berhad, Etiqa Life Insurance Berhad, Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) and Etiqa International Holdings Sdn Bhd.

He is currently also the Chairman of the Battersea Project Holding Company Limited and Battersea Project Land Company Limited as well as Director of Sime Darby Property Berhad, and a National Council member of the Real Estate Housing Developers' Association Malaysia (REHDA). He is also currently the Chairman of Board Oversight Committee of Proposed Bangsar Land Development.

**(iv) Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican**  
**(Dato' Mohamed Rafique)**  
**Non-Independent Non-Executive Director**

Dato' Mohamed Rafique was appointed as Director of EFTB (formerly known as Etiqa Takaful Berhad) on 1 June 2016. He was also appointed as the Director of Etiqa General Takaful Berhad effective from 1 January 2018.

Dato' Mohamed Rafique is presently the Group Chief Financial Officer (CFO) of Maybank Group since June 1, 2012.

Dato' Mohamed Rafique is also a President Commissioner of PT Bank Maybank Syariah Indonesia and member of MAHB Investment Committee.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(b) Directors' Profiles (cont'd.)**

**(iv) Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican**  
**(Dato' Mohamed Rafique)**  
**Non-Independent Non-Executive Director**  
**(cont'd.)**

Dato' Mohamed Rafique has more than 20 years of experience in the corporate sector, including five years as Chief Financial Officer of Tenaga Nasional Berhad (TNB) and Malakoff Berhad. Prior to joining TNB in 2009, he served at Radicare (M) Sdn Bhd, the facilities management concessionaire for hospitals in Klang Valley, Selangor, Kelantan, Terengganu and Pahang as its Chief Operating Officer initially and subsequently as its Chief Executive Officer. He also held corporate finance and advisory roles with Amanah Capital Group and Bumiputra Merchant Bankers Berhad in the early part of his career.

Dato' Mohamed Rafique is a Fellow of the Association of Chartered Certified Accountants (ACCA), Chartered Accountant and member of the Malaysian Institute of Accountants (MIA). He is also currently a member of the Malaysian Accounting Standards Board (MASB) and member of the CNBC Global CFO Council.

**(v) Prof. Dr. Abdul Rahim Abdul Rahman (Prof. Dr. Abdul Rahim)**  
**Independent Non-Executive Director**

Prof. Dr. Abdul Rahim was appointed as Director of EFTB (formerly known as Etiqa Takaful Berhad) on 1 October 2017. He was also appointed as the Director of Etiqa General Takaful Berhad effective from 1 January 2018.

Prof. Dr. Abdul Rahim is a Professor at the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM). He is also the Director of Corporate Planning and Quality Management at USIM. He is also the Chief Editor for the Journal of Muamalat and Islamic Finance Research (JMIFR) published by USIM.

Prof. Dr. Abdul Rahim is actively involved in the Islamic financial industry. He has been appointed as a panel member of Muamalat experts by the Department of Islamic Development Malaysia (JAKIM). From May 2017, he has been appointed as a member of the Group Shariah Committee of Etiqa. Since January 2012, he is a member of the Shariah Committee for Amanah Ikhtiar Malaysia, a leading Islamic microfinance institution. In 2012 and 2013, he had served as an Independent Director, Chairman of the Audit Committee and member of the Investment Committee of Permodalan Bank Simpanan Nasional.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(c) Directors' Training**

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

During the year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programme for Directors of financial institutions, namely the Financial Institutions Directors' Education (FIDE).

The Board continues to assess the training needs of its Directors vide the Board Assessment and identify key areas of focus for training programmes.

Training programmes, conferences and forums attended by the Directors for the financial year ended 31 December 2017 were as follows:

**FIDE/ICLIF/FIDE Forum**

- Efficient Inefficient: Making Boards Effective in a Changing World
- Current Issues in Corporate Governance
- FIDE Core Programme Module A
- FIDE Core Programme Module B

**Maybank/Etiqa Internal Trainings**

- Etiqa Annual Risk Workshop 2017
- IFRS Update Session
- Compliance Training for Board Members and Senior Management

**Other External Seminar/Conferences**

- Invitation to Breakfast Talk with Asian Corporate Governance Association (ACGA) Corporate Governance (CG) Watch 2016
- Talk on Judicial Management based on new Companies Act 2016
- Breakfast Series 'Board Excellence: How to Engage and Enthuse beyond Compliance with Sustainability
- International Association of Insurance Supervisors Annual Conference 2017
- Sustainability Forum for Directors/CEOs: 'The Velocity of Global Change & Sustainability – The New Business Model
- IMD Seminar: Value Creation & Business Partnering
- Annual Compliance Conference 2017
- IMD Seminar: The Future of Fintech / Digital Disruption
- Capital Market Director Programme
- I am Ready to Manage Risk (Risk Management Training)

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(c) Directors' Training (Cont'd.)**

Other External Seminar/Conferences (cont'd.)

- Sustainability Report and Management Discussion & Analysis - What a Director needs to know
- 8th SC-OCIS Roundtable: 'Creating Shared Values through Risk Sharing'
- The new Companies Act 2016: A new Playbook for Directors
- Bonds, Loans & Sukuk Middle East
- Fintech – Business Opportunity or Disruptor
- GST Fraud and Evasion
- The Innovation to manage Risk and Compliance
- When Machines provide Investment Management Advice

**Induction Programme**

A comprehensive induction programme has also been established to ease new Directors into their new role and to assist them in their understanding of the Group's management and operations. New Directors would be encouraged to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one sessions with the CEO of the Company and the rest of the Senior Management Committee members/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues facing the Group. The programme covers a wide scope of subject matters, such as the Group's business and strategy, work processes and Board Committees, as well as on Directors duties and responsibilities.

**(d) Board Committees Responsibilities and Composition**

The Board has set up a number of Board Committees and delegates certain responsibilities to them with clear terms of reference. The Board Committees that constitute the core governance structure of the Company are Investment Committee (IC), Risk Management Committee (RMC), and Audit Committee of the Board (ACB). As for the affairs in relation to Nomination and Remuneration, the Company has leveraged on the existing Nomination and Remuneration Committee (NRC) of the Board which had taken effect since 27 May 2010 as a merged committee of the ultimate holding company (i.e. Maybank) as part of its governance structure.

**(i) Audit Committee of the Board ("ACB")**

The ACB is established at the level of the holding company, Maybank Ageas Holdings Berhad (MAHB).



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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(d) Board Committees Responsibilities and Composition (Cont'd.)**

**(i) Audit Committee of the Board ("ACB") (cont'd.)**

The ACB supports the board in ensuring reliable and transparent financial reporting, independently assess 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 Company's operations run in an effective and efficient manner as well as to safeguard Company's assets and stakeholders' interests.

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

	<b>Number of ACB meetings attended</b>	<b>%</b>
Mr. Loh Lee Soon (Chairman) Independent Non-Executive Director	9/9	100
Mr. Gary Lee Crist Non-Independent Non-Executive Director	9/9	100
Mr. Koh Heng Kong Independent Non-Executive Director	8/9	89
Mr. Wong Pakshong Kat Jeong Colin Stewart (Appointed as member with effect from 1 November 2017) Independent Non-Executive Director	1/1	100

The ACB met 9 times during the year.

**(ii) Risk Management Committee ("RMC")**

The RMC is established at the level of the holding company, MAHB.

The Board established the RMC to support sound corporate governance and processes. The primary objective of the RMC is to oversee senior management's activities in managing key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

In discharging its responsibilities, the RMC is assisted by the Management Risk Committee (MRC) established by the Management.

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**ETIQA FAMILY TAKAFUL BERHAD**  
**(formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(d) Board Committees Responsibilities and Composition (Cont'd.)**

**(ii) Risk Management Committee ("RMC") (cont'd.)**

The Risk Management Framework of the Company comprises three main components i.e. policy-making, monitoring and controlling and risk acceptance. The risk management approach would premise on three lines of defense i.e. risk-taking unit, risk control unit and internal audit. Risks have been classified into major risk categories, consisting of financial, insurance operational and enterprise risks.

There is continuous effort in identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which include the setting up of operational risk limits for all core activities.

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

	<b>Number of RMC meetings attended</b>	<b>%</b>
Mr. Koh Heng Kong (Chairman) Independent Non-Executive Director	9/10	90
Mr. Gary Lee Crist Non-Independent Non-Executive Director	10/10	100
Mr. Wong Pakshong Kat Jeong Colin Stewart (Appointed as member with effect from 1 September 2017) Independent Non-Executive Director	3/3	100
Mr. Loh Lee Soon (Resigned as member with effect from 1 September 2017) Independent Non-Executive Director	7/7	100

The RMC met 10 times during the year.

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(d) Board Committees Responsibilities and Composition (Cont'd.)**

**(iii) Nomination and Remuneration Committee ("NRC")**

MAHB and its subsidiaries are currently leveraging on the Group NRC at Maybank level.

The primary objective of the NRC is to establish a documented, formal and transparent procedure for the appointment of directors, the Chief Executive Officer (CEO) and key senior officers as well as the assessment of the effectiveness of individual directors, the Board as a whole and the performance of the CEO and key senior officers.

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

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

	<b>Number of NRC meetings attended</b>	<b>%</b>
Datuk R. Karunakaran (Appointed as Chairman with effect from 7 April 2017) Independent Non-Executive Director	19/19	100
Dato' Dr Tan Tat Wai (Step down as Acting Chairman with effect from 6 April 2017) Independent Non-Executive Director	5/5	100
Bapak Edwin Gerungan Non-Independent Non-Executive Director	18/19	95
Datin Paduka Jamiah Abdul Hamid (Appointed as Member with effect from 3 January 2017) Independent Non-Executive Director	19/19	100
Mr. Cheng Kee Check Non-Independent Non-Executive Director	19/19	100

The NRC met 19 times during the year.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(d) Board Committees Responsibilities and Composition (Cont'd.)**

**(iv) Investment Committee ("IC")**

Upon the granting of single license by BNM on 1 January 2018, the IC is transferred from Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) level to MAHB level.

The Board established the IC as a governance body to oversee investment related activities, ensuring effective alignment of asset and liability profile of investment portfolio, in consideration of the Company's budgets and risk appetites. The IC is assisted by the Asset Liability Committee (ALCO) established by the management, to implement the programme of investment activities and monitor the performance of investment portfolio.

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

	<b>Number of IC meetings attended</b>	<b>%</b>
Dato' Amirul Feisal Wan Zahir (Appointed as Chairman with effect from 1 September 2017) Executive Director	1/1	100
Datuk Abdul Farid Alias (Resigned as Chairman with effect from 1 September 2017) Executive Director	3/3	100
Dato' Mohamed Rafique Merican Non-Independent Non-Executive Director	3/4	75
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director	3/4	75

The IC met 4 times during the year.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(d) Board Committees Responsibilities and Composition (Cont'd.)**

**(v) Board Oversight Committee for Information Technology ("BOC IT")**

The BOC IT is established at the level of the holding company, MAHB on 18 November 2016.

The BOC IT is a governance body which carries an oversight function for IT related activities in ensuring the following:

- Alignment of IT initiatives with Etiqa 2020 aspirations;
- IT initiatives to drive Etiqa 2020 aspirations are adequately funded and resourced; and
- Adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

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

	<b>Number of BOC IT meetings attended</b>	<b>%</b>
Mr. Loh Lee Soon (Chairman) Independent Non-Executive Director	9/9	100
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director	7/9	78
Encik Kamaludin Ahmad Chief Executive Officer, MAHB	9/9	100
Encik Mohd Suhail Amar Surech Group Chief Technology Officer, Maybank	9/9	100
Mr. Hans Van Wuijckhuijse Regional Director, Business Development Ageas Asia	9/9	100

The BOC IT met 9 times during the year.

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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(d) Board Committees Responsibilities and Composition (Cont'd.)**

**(vi) Group Shariah Committee ("Group SC")**

The Company is advised by a Group SC. The SC, set up in compliance with the Islamic Financial Services Act 2013, will oversee the operations of the Company to ensure that they are in line with the principles of Shariah.

Upon the granting of single license by BNM on 1 January 2018, the existing Shariah Committee (SC) is re-named as Group Shariah Committee and is reporting to Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) and Etiqa General Takaful Berhad.

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

	<b>Number of Group SC meetings attended</b>	<b>%</b>
Dr. Ahcene Lahsasna (Chairman)	11/12	92
Dr. Ismail Bin Mohd @ Abu Hassan	11/12	92
Dr. Mohammad Deen Bin Mohd Napiah	12/12	100
Dr. Sarip Bin Abdul	12/12	100
Prof. Dr. Rusni Binti Hassan (Appointed on 1 May 2017)	8/8	100
Prof. Dr. Abdul Rahim Bin Abdul Rahman (Appointed on 1 May 2017)	8/8	100

The SC met 12 times during the year.

**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONT'D.)**

**(d) Board Committees Responsibilities and Composition (Cont'd.)**

**(vii) Board Oversight Committee on Re-organisation of Entities Pursuant to Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA") ("BOC FSA & IFSA")**

The BOC FSA & IFSA carry an oversight function of the re-organisation of Etiqa General Insurance Berhad (EGIB) and EFTB under the FSA and IFSA are responsible in reviewing the MAHB Group's functional structure to ensure compliance with the FSA and the IFSA in a manner that would promote growth

The BOC FSA & IFSA reports to the Boards of Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) and Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) respectively.

The composition of the BOC FSA & IFSA and the attendance of its members at meetings during the year are as follows:

	<b>Number of BOC FSA and meetings attended</b>	<b>%</b>
Encik Zainal Abidin Jamal (Chairman) Non-Independent Non-Executive Director	14/14	100
Mr. Frank J.G Van Kempen Non-Independent Non-Executive Director	11/14	79
Mr. Koh Heng Kong Independent Non-Executive Director	14/14	100

The BOC FSA & IFSA met 14 times during the year.

On completion of the said companies' licenses split on 1 January 2018, the BOC FSA & IFSA was disbanded accordingly.

**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

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

**(4) QUALITATIVE DISCLOSURES**

**(a) Board Performance**

In line with good corporate governance, the Board has set out its intention to periodically review the Non-Executive Directors remuneration at least once every 3 years as per Maybank Group policy.

The Board believes that 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, responsibilities and the risks of being a director of a financial institution.

**(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) fulfill the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.



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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(5) QUANTITATIVE DISCLOSURES**

**(a) Non-Executive Directors' Remuneration**

The Non-Executive Directors' Remuneration are as follows:

Fees :	Per Annum (RM)
(1) Board	
- Chairman	157,500
- Member	116,250
(2) Board Committees	
- Chairman	28,500
- Member	25,000
Meeting Allowance (per meeting attended)	1,000

**(b) Disclosure of Directors' and CEO's Remuneration**

The details of Directors' and CEOs' Remuneration for FY2017 are disclosed under Note 39 in the Company's Financial Statements.

**(c) Remuneration Policy in respect of Officers of the Company**

The Company Total Compensation, a mixture of Fixed and Variable (i.e. Variable Bonus and Long Term Incentive Plan) is designed to align with the long-term performance of the company. The balance between the fixed and variable compensation, changes according to individual performance, business/corporate function performance, group performance outcome and individual's level and accountability.

In order to ensure the Company meet global best practices, making the Company worthy of the recognitions that the Company have been receiving locally, regionally and some globally, on our people management and development infrastructure and practices, the following policies are currently in place:

- (i) Incorporation of Risk-adjusted performance measures in individual KPI. Inputs from control functions and Board Committees are incorporated into sector and individual performance results.
- (ii) Deferral Policy: Any Variable Bonus Award in excess of certain threshold will be deferred over a period of time.
- (iii) Clawback: 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 awards.

**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(5) QUANTITATIVE DISCLOSURES (CONT'D.)**

**(c) Remuneration Policy in respect of Officers of the Company (Cont'd.)**

Maybank's Employee Share Scheme was introduced in 2011 to deliver competitive Total Compensation with the market as well as ensure a mixture of cash and shares or shares-linked instruments that is aligned to the long-term value creation and the time horizon of risk in our variable compensation.

Balanced Scorecard	<ul style="list-style-type: none"> <li>• Maybank Group inculcate pay-for-performance culture by ensuring a close linkage between our compensation and performance outcome as measured through the balanced scorecard.</li> <li>• Current Balanced Scorecard approach covers both quantitative KPIs and qualitative KPIs. We have also included risk-adjusted performance KPIs that is consistent with the level of risks undertaken/capital consumption in the generation of returns.</li> </ul>
Maybank Group Variable Bonus	<p><i>Group Performance</i></p> <ul style="list-style-type: none"> <li>• Bonus Funding is based on Group's ROE achievement and as a percentage of NPBT.</li> </ul> <p><i>Business/Corporate Functions Performance</i></p> <ul style="list-style-type: none"> <li>• Performance Measures: Balanced Scorecard approach</li> <li>• Variable Bonus pool allocation to business/corporate functions takes into account the performance of each unit measure to the unit's balanced scorecard evaluated by Group PCEO.</li> </ul> <p><i>Individual performance</i></p> <ul style="list-style-type: none"> <li>• Performance Measures: Balanced Scorecard approach</li> <li>• Distribution of bonus based on staff performance.</li> </ul>
Long Term Incentive Plan	<ul style="list-style-type: none"> <li>• Performance Restricted Share Units awards is subject to a 3 year performance period. The vesting of the awards at the end of the 3 year performance period will be dependent on the performance conditions set at company and individual level.</li> </ul>

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)**

**(5) QUANTITATIVE DISCLOSURES (CONT'D.)**

**(c) Remuneration Policy in respect of Officers of the Company (Cont'd.)**

**Senior Management**

Senior Management for this purpose is defined as management staff reporting direct to the CEO. The performance results of the senior management are reviewed by the Board periodically. Any remuneration pay-out is aligned to the actual performance of the sector and individual.

Each member of Senior Management carries Risk Management KPI in their individual Scorecard, and are cascaded accordingly. Inputs from control functions and Board Committees are incorporated into sector and individual performance results.

Details of the remuneration granted to eligible Senior Management Officers are disclosed in the table below:

Remuneration	Unrestricted		Deferred	
	No. of Pax	RM	No. of Pax	Units
<b>Material Risk Taker "Senior Management"</b>				
Cash-based	1	267,895	nil	nil
Shares and share-linked instrument (ESOS etc)				
Others	nil			
<b>Other Material Risk Taker "OMRT"</b>				
Cash-based	nil	nil	nil	nil
Shares and share-linked instrument (ESOS etc)				
Others	nil			

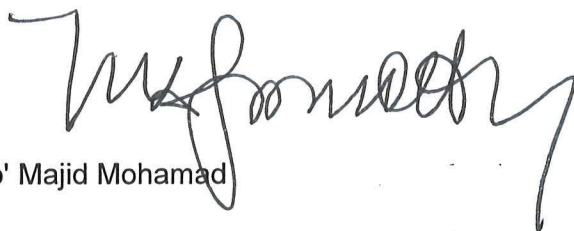
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**ETIQA FAMILY TAKAFUL BERHAD**  
**(formerly known as Etiqa Takaful Berhad)**  
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**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Dato' Majid Mohamad and Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican, being two of the directors of Etiqa Family Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 225 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 Company as at 31 December 2017 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2018.



Dato' Majid Mohamad

Kuala Lumpur, Malaysia  
22 February 2018

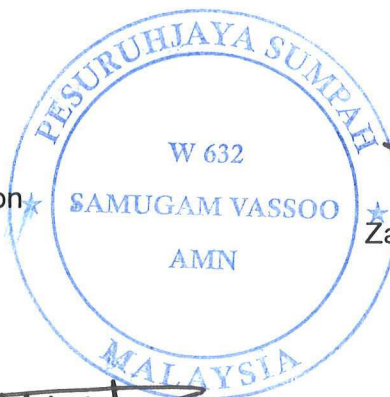


Dato' Mohamed Rafique Merican  
Mohd Wahiduddin Merican

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

I, Zafri Ab Halim, being the Officer primarily responsible for the financial management of Etiqa Family Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 225 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 Zafri Ab Halim  
at Kuala Lumpur in Wilayah Persekutuan on  
22 February 2018

  
Zafri Ab Halim

Before me,

Commissioner for Oaths

10-1, Jalan Bangsar Utama 1,  
Bangsar Utama,  
59000 Kuala Lumpur.

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**REPORT OF THE SHARIAH COMMITTEE**

*In the name of Allah, the Most Beneficent, the Most Merciful*

We, Dr. Ahcene Lahsasna and Dr. Mohammad Deen Mohd Napiah, being two of the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief:

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2017. We have also conducted our review to form an opinion pursuant to Section 30(1) of Islamic Financial Services Act 2013 ("IFSA"), as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), Shariah standards issued by BNM pursuant to Section 29 of IFSA, relevant guidelines and circulars issued by BNM, Shariah rulings issued by the Shariah Advisory Council of Securities Commission (for capital market related matters), as well as Shariah decisions resolved by us.

The management of the Company is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to express an independent opinion based on our review of the operations of the Company.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, the relevant type of transactions, documentations and procedures adopted by the Company.

We obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the rules and principles of Shariah.

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2017 that we have reviewed are in compliance with the Shariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. the sharing of surplus arising from the tabarru' fund (Participants' Risk Fund) conforms with the respective internal policies and approved by us;
4. all earnings that have been realised from sources or by means prohibited by the principles of Shariah have been put aside in a separate account for disposal to charitable causes; and
5. the calculation, payment and distribution of business zakat and distribution of Amal Jariah fund is in compliance with the principles of Shariah.

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**REPORT OF THE SHARIAH COMMITTEE (CONT'D.)**

This opinion is rendered based on what has been presented to us by the management of the Company and its Shariah Division. All in all, we, the members of the Shariah Committee of Etiqa Family Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2017 have been conducted in conformity with the rules and principles of Shariah.

*They said, "Exalted are You (Allah); we have no knowledge except what You have taught us. Indeed, it is You who is the Knowing, the Wise." (Surah al-Baqarah, chapter 2, verse 32)*

Allah knows best.

Signed on behalf of the Committee.



Dr. AHCENE LAHSASNA



Dr. Mohammad Deen Mohd Napiah

Kuala Lumpur, Malaysia  
22 February 2018

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**Independent auditors' report to the member of Etiqa Family Takaful Berhad  
(formerly known as Etiqa Takaful Berhad)  
(Incorporated in Malaysia)**

**Report on the Audit of Financial Statements**

*Opinion*

We have audited the financial statements of Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) ("the Company"), which comprise the statement of financial position as at 31 December 2017, the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2017, and summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 225.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year ended 31 December 2017 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 Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("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, Statement of Corporate Governance and the Report of the Shariah Committee but does not include the financial statements of the Company and our auditors' report thereon.

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

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**Independent auditors' report to the member of Etiqa Family Takaful Berhad  
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*Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd.)*

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

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

*Responsibilities of the Directors for the Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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



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**Independent auditors' report to the member of Etiqa Family Takaful Berhad  
(formerly known as Etiqa Takaful Berhad) (Cont'd.)  
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*Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd.)*

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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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**Independent auditors' report to the member of Etiqa Family Takaful Berhad  
(formerly known as Etiqa Takaful Berhad) (Cont'd.)  
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**Other Matters**

This report is made solely to the member 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  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
22 February 2018



Yeo Beng Yean  
No. 03013/10/2018 J  
Chartered Accountant

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**ETIQA FAMILY TAKAFUL BERHAD**  
(formerly known as Etiqa Takaful Berhad)  
(Incorporated in Malaysia)

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		31.12.2017				31.12.2016			
		Shareholder's fund RM'000	* General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
<b>ASSETS</b>									
Property, plant and equipment	3	495	-	-	495	470	-	-	470
Intangible assets	4	5,958	-	-	5,958	5,745	-	-	5,745
Investments	5	2,417,505	1,697,348	9,703,198	12,095,470	2,415,098	1,760,659	9,218,443	13,370,827
Financing receivables	6	17,197	-	-	17,197	17,371	-	-	17,371
Retakaful assets	7	-	262,168	79,085	79,085	-	242,173	49,675	291,848
Takaful receivables	8	-	100,620	78,672	78,672	-	65,101	84,996	150,097
Other receivables	9	273,148	15,897	260,183	427,383	292,193	15,260	100,923	140,278
Deferred tax assets	16	8,219	5,069	3,875	12,094	7,492	6,786	-	13,764
Current tax assets		-	3,883	20,230	20,230	-	3,883	20,282	24,165
Cash and bank balances		15,993	33,959	45,419	61,412	12,487	69,694	70,846	153,027
		2,738,515	2,118,944	10,190,662	12,797,996	2,750,856	2,163,556	9,545,165	14,167,592
		-	-	-	2,118,944	-	-	-	-
<b>* Assets classified as held for sale</b>									
<b>Total assets</b>		2,738,515	2,118,944	10,190,662	14,916,940	2,750,856	2,163,556	9,545,165	14,167,592
<b>EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS</b>									
<b>Equity</b>									
Share capital	10	400,000	-	-	400,000	400,000	-	-	400,000
Reserves	11	1,362,155	-	-	1,357,922	1,373,061	-	-	1,370,688
<b>Total equity</b>		1,762,155	-	-	1,757,922	1,773,061	-	-	1,770,688
<b>Liabilities and Participants' Funds</b>									
Participants' funds	12	-	183,549	2,998,277	2,998,277	-	155,321	2,824,275	2,979,596
Takaful certificate liabilities	13	-	1,507,100	6,799,229	6,778,229	-	1,559,724	6,341,039	7,879,763
Subordinated obligation	14	300,000	-	-	300,000	300,000	-	-	300,000
Expense liabilities	15	517,710	-	-	517,710	526,588	-	-	526,588
Deferred tax liabilities	16	-	-	-	-	-	-	514	-
Takaful payables	17	9,493	82,465	45,220	54,713	7,762	61,776	38,213	107,751
Other payables	18	130,253	345,830	347,936	372,241	135,939	386,735	341,124	595,700
Profit payable on subordinated obligation	14	1,189	-	-	1,189	1,189	-	-	1,189
Current tax liabilities		17,715	-	-	17,715	6,317	-	-	6,317
		976,360	2,118,944	10,190,662	11,040,074	977,795	2,163,556	9,545,165	12,396,904
		-	-	-	2,118,944	-	-	-	-
<b>* Liabilities directly associated with the assets classified as held for sale</b>									
<b>Total liabilities and participants' funds</b>		976,360	2,118,944	10,190,662	13,159,018	977,795	2,163,556	9,545,165	12,396,904
<b>Total equity, liabilities and participants' funds</b>		2,738,515	2,118,944	10,190,662	14,916,940	2,750,856	2,163,556	9,545,165	14,167,592

\* During the financial year, the Company received the approvals of Bank Negara Malaysia and the Minister of Finance ("MOF") for the proposed separation of the composite takaful business of the Company. This involves the transfer of general takaful business to a related corporation of the Group, Etiqa General Takaful Berhad ("EGTB"), as disclosed in note 47. All the related notes to the Statement of Financial Position for the General Takaful fund are considered as assets & liabilities for the discontinued operations.

\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

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**ETIQA FAMILY TAKAFUL BERHAD**  
(formerly known as Etiqa Takaful Berhad)

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	1.1.2017 - 31.12.2017				1.1.2016 - 31.12.2016			
		Shareholder's fund RM'000	* General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000	Shareholder's fund RM'000	* General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>Operating revenue</b>	19	<b>780,009</b>	<b>1,290,696</b>	<b>1,780,935</b>	<b>2,266,821</b>	<b>710,050</b>	<b>1,250,561</b>	<b>1,581,806</b>	<b>2,031,850</b>
Gross earned contributions	20	-	1,225,432	1,345,132	1,345,132	-	1,180,095	1,184,225	1,184,225
Earned contributions ceded to retakaful	20	-	(123,117)	(63,031)	(63,031)	-	(94,905)	(52,658)	(52,658)
<b>Net earned contributions</b>	20	-	<b>1,102,315</b>	<b>1,282,101</b>	<b>1,282,101</b>	-	<b>1,085,190</b>	<b>1,131,567</b>	<b>1,131,567</b>
Fee and commission income	21	664,194	19,602	9,906	9,906	611,842	15,900	4,694	4,694
Investment income	22	115,815	72,331	435,803	551,618	98,208	68,919	397,581	495,789
Net realised gains	23	24,968	4,171	132,506	157,474	16,792	13,427	39,111	55,903
Net fair value gains/(losses)	24	-	-	(14,954)	(14,954)	-	(369)	48,626	48,626
Other operating (expenses)/ income, net	25	(6,590)	898	(26,547)	(33,137)	(399)	13,229	(15,267)	(15,666)
<b>Other revenue</b>		<b>798,387</b>	<b>97,002</b>	<b>536,714</b>	<b>670,907</b>	<b>726,443</b>	<b>111,106</b>	<b>474,745</b>	<b>589,346</b>
Gross benefits and claims paid	26	-	(768,080)	(763,280)	(763,280)	-	(610,410)	(734,578)	(734,578)
Claims ceded to retakaful	26	-	94,916	35,228	35,228	-	29,524	24,595	24,595
Gross change to certificate liabilities	26	-	45,557	(458,644)	(698,957)	-	(52,274)	(203,153)	(536,475)
Change in certificate liabilities ceded to retakaful	26	-	1,582	29,410	29,410	-	29,935	13,546	13,546
<b>Net benefits and claims</b>		-	<b>(626,025)</b>	<b>(1,157,286)</b>	<b>(1,397,599)</b>	-	<b>(603,225)</b>	<b>(899,590)</b>	<b>(1,232,912)</b>
Management expenses	27	(288,889)	-	(26,600)	(160,684)	(279,982)	(1,031)	(30,134)	(153,927)
Change in expense liabilities	30	8,878	-	-	10,981	(56,057)	-	-	(36,443)
Fee and commission expenses	31	(238,623)	(370,181)	(295,751)	(131,367)	(228,510)	(351,836)	(264,623)	(128,356)
Profit on subordinated obligation		(13,560)	-	-	(13,560)	(13,597)	-	-	(13,597)
Tax borne by participants	32	-	594	1,697	1,697	-	5,128	8,859	8,859
<b>Other expenses</b>		<b>(532,194)</b>	<b>(369,587)</b>	<b>(320,654)</b>	<b>(292,933)</b>	<b>(578,146)</b>	<b>(347,739)</b>	<b>(285,898)</b>	<b>(323,464)</b>
<b>Operating profit before surplus transfers</b>		<b>266,193</b>	<b>203,705</b>	<b>340,875</b>	<b>262,476</b>	<b>148,297</b>	<b>245,332</b>	<b>420,824</b>	<b>164,537</b>
Surplus transferred to participants' funds		-	(112,306)	(240,313)	-	-	(137,240)	(333,322)	-
Surplus attributable to shareholders		100,562	(91,399)	(100,562)	-	87,502	(108,092)	(87,502)	-
<b>Profit before taxation from continuing operations</b>		<b>366,755</b>	-	-	<b>262,476</b>	<b>235,799</b>	-	-	<b>164,537</b>
Taxation	32	(114,606)	-	-	(65,278)	(109,573)	-	-	(64,730)
Zakat		(3,719)	-	-	(3,719)	(3,456)	-	-	(3,456)
<b>Net profit for the year from continuing operations</b>		<b>248,430</b>	-	-	<b>193,479</b>	<b>122,770</b>	-	-	<b>96,351</b>
<b>Discontinued Operation</b>									
Surplus transferred from General business		91,399	-	-	195,678	108,092	-	-	179,354
Taxation for discontinued operation		-	-	-	(49,328)	-	-	-	(44,843)
<b>Net profit for the year from discontinued operation</b>		<b>91,399</b>	-	-	<b>146,350</b>	<b>108,092</b>	-	-	<b>134,511</b>
		<b>339,829</b>	-	-	<b>339,829</b>	<b>230,862</b>	-	-	<b>230,862</b>
<b>Basic and diluted earnings per share (sen) from :</b>									
- Continuing operations	33	48.4	-	-	48.4	24.1	-	-	24.1
- Discontinued operation	33	36.6	-	-	36.6	33.6	-	-	33.6

\* During the financial year, the Company received the approvals of Bank Negara Malaysia and the Minister of Finance ("MOF") for the proposed separation of the composite takaful business of the Company. This involves the transfer of general takaful business to a related corporation of the Group, Etiqa General Takaful Berhad ("EGTB") as disclosed in note 47. All the related notes to the Income Statement for the General takaful fund are considered as income and expenditure for the discontinued operations.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.

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

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**ETIQA FAMILY TAKAFUL BERHAD**  
(formerly known as Etiqa Takaful Berhad)  
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

Note	2017				2016				
	Shareholder's fund RM'000	* General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000	Shareholder's fund RM'000	* General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000	
<b>Net profit for the year</b>									
- Continuing operations	248,430	-	-	193,479	122,770	-	-	96,351	
- Discontinued operation	91,399	-	-	146,350	108,092	-	-	134,511	
	<u>339,829</u>	<u>-</u>	<u>-</u>	<u>339,829</u>	<u>230,862</u>	<u>-</u>	<u>-</u>	<u>230,862</u>	
<b>Other comprehensive income:</b>									
<b>Item that may be subsequently reclassified to income statement</b>									
Net (losses)/gains on Available-for-sale ("AFS") financial assets:									
Gains/(losses) on fair value changes	24,001	13,801	68,640	90,781	28,448	25,829	12,265	39,456	
Realised gain transferred to income statement	23	(24,968)	(4,171)	(109,363)	(134,331)	(16,792)	(13,427)	(24,086)	(40,878)
Tax effects relating to components of other comprehensive income	16	232	(2,311)	2,513	2,745	(3,178)	(3,365)	921	(2,257)
Other comprehensive income/(loss) attributable to participants		-	(7,319)	38,210	38,210	-	(9,037)	10,900	10,900
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>(735)</u>	<u>-</u>	<u>(2,595)</u>	<u>8,478</u>	<u>-</u>	<u>-</u>	<u>7,221</u>	
<b>Total comprehensive income for the year</b>		<u>339,094</u>	<u>-</u>	<u>337,234</u>	<u>239,340</u>	<u>-</u>	<u>-</u>	<u>238,083</u>	

\* During the financial year, the Company received the approvals of Bank Negara Malaysia and the Minister of Finance ("MOF") for the proposed separation of the composite takaful business of the Company. This involves the transfer of general takaful business to a related corporation of the Group, Etiqa General Takaful Berhad ("EGTB") as disclosed note 47. All the related notes to the Income Statement for the General takaful fund are considered as income and expenditure for the discontinued operations.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.

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

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

		<u>Attributable to Equity Holder of the Company</u>			
		<u>Non-Distributable</u>		<u>Distributable</u>	
		Available-for-sale			
Note	Share Capital RM'000	Reserve RM'000	Retained Profits RM'000	Total Equity RM'000	
	<b>At 1 January 2017</b>	400,000	(22,455)	1,393,143	1,770,688
	Net profit after tax for the year	-	-	339,829	339,829
	Other comprehensive income for the year	-	(2,595)	-	(2,595)
	Total comprehensive income for the year	-	(2,595)	339,829	337,234
	Dividend on Ordinary Share	-	-	(350,000)	(350,000)
34	<b>At 31 December 2017</b>	<u>400,000</u>	<u>(25,050)</u>	<u>1,382,972</u>	<u>1,757,922</u>
	<b>At 1 January 2016</b>	400,000	(29,676)	1,162,281	1,532,605
	Net profit after tax for the year	-	-	230,862	230,862
	Other comprehensive income for the year	-	7,221	-	7,221
	Total comprehensive income for the year	-	7,221	230,862	238,083
	<b>At 31 December 2016</b>	<u>400,000</u>	<u>(22,455)</u>	<u>1,393,143</u>	<u>1,770,688</u>

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

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM'000	2016 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation and zakat :			
- Continuing operations		366,755	235,799
- Discontinued operation		91,399	108,092
		<u>458,154</u>	<u>343,891</u>
Adjustments for:			
Depreciation of property, plant and equipment		293	401
Amortisation of intangible assets		750	710
Fair value losses/(gains) on investments		14,954	(48,257)
Realised gains on disposal of investments		(161,645)	(69,330)
Allowance for/(reversal of) impairment losses on:			
- Investments		29,724	18,078
- Takaful receivables		(698)	(9,284)
- Other receivables		1,080	(89)
- Financing receivables		1,438	(4)
- Retakaful assets		4	(2,540)
Profit income		(615,227)	(560,937)
Finance cost		13,560	13,597
Gross dividend/distribution income		(23,557)	(22,195)
Net amortisation of premiums		11,161	14,853
Decrease in net contribution liabilities		(25,484)	(7,291)
Surplus transferred from general takaful fund		112,306	137,240
Surplus transferred from family takaful fund		240,313	333,322
Operating cash flows before working capital changes		<u>57,126</u>	<u>142,165</u>
Changes in working capital:			
Proceeds from sale of investments		6,916,264	6,039,742
Purchase of investments		(7,463,083)	(7,295,891)
(Increase)/decrease in takaful receivables		(28,497)	34,398
(Increase)/decrease in other receivables		(181,952)	64,468
Decrease in takaful payables		29,427	20,624
Decrease in other payables		23,768	55,221
(Decrease)/increase in expense liabilities		(8,878)	56,057
(Increase)/decrease in financing receivables		(1,264)	5,857
Decrease in placements of			
deposits with financial institutions		196,735	308,599
Increase in retakaful assets		(30,996)	(43,481)
Increase in claims liabilities		412,633	258,232
Operating cash flows after working capital changes		<u>(78,717)</u>	<u>(354,009)</u>

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM'000	2016 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)</b>			
Profit income received		604,866	542,218
Gross dividend/distribution income received		24,372	23,326
Zakat paid		(3,719)	(8,429)
Taxation paid		(103,704)	(107,917)
Tax refund		-	30,221
Mudharabah paid to participants		(135,896)	(84,198)
Net cash flows generated from operating activities	37	<u>307,202</u>	<u>41,212</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(963)	(1,074)
Purchase of property, plant and equipment		(335)	(55)
Net cash flows used in investing activities	37	<u>(1,298)</u>	<u>(1,129)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(350,000)	-
Profit paid on subordinated obligation		(13,560)	(13,597)
Net cash flows used in financing activities	37	<u>(363,560)</u>	<u>(13,597)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	37	<b>(57,656)</b>	<b>26,486</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>153,027</b>	<b>126,541</b>
* Assets classified as held for sale		(33,959)	-
<b>Cash and cash equivalents at end of year</b>		<u><b>61,412</b></u>	<u><b>153,027</b></u>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances of:			
Shareholder's fund		15,993	12,487
* General takaful fund		-	69,694
Family takaful fund		45,419	70,846
		<u>61,412</u>	<u>153,027</u>

\* During the financial year, the Company received the approvals of Bank Negara Malaysia and the Minister of Finance ("MOF") for the proposed separation of the composite takaful business of the Company. This involves the transfer of general takaful business to a related corporation of the Group, Etiqa General Takaful Berhad ("EGTB"), as disclosed in note 47. All the related notes to the Statement of Financial Position for the General Takaful fund are considered as assets & liabilities for the discontinued operations.



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**ETIQA FAMILY TAKAFUL BERHAD**  
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

The cash flows attributable to the general takaful business of the discontinued operation as at 31 December 2017 are as follows :

	<b>Note</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Cash Flows from :			
Operating activities		(35,735)	18,657
Investing activities		-	-
Financing activities		-	-
		<u>(35,735)</u>	<u>18,657</u>

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

**ETIQA FAMILY TAKAFUL BERHAD**  
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**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017**

**1. CORPORATE INFORMATION**

The principal activity of the Company is the management of general takaful, family takaful and takaful investment-linked businesses.

On 1 January 2018, the MAHB Group has successfully completed the Conversion of Composite Licences to Single Licences ("Licence Split") and surrendered the composite licences in exchange for the four single licences, as disclosed in Note 47. Consequently, the Company was renamed to Etiqa Family Takaful Berhad, and will be principally engaged in the underwriting of family takaful business.

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.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2018.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

**(a) Statement of compliance**

The financial statements of 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.

On September 2016, the Companies Act 2016 ("New Act") was enacted and will replace the Companies Act, 1965 in Malaysia with the New Act to be effective on 31 January 2017. The key changes of the New Act are disclosed in Note 2.5.

At the beginning of the current financial year, the Company has adopted those Amendments to MFRSs effective for the annual periods beginning on or after 1 January 2017 as disclosed in Note 2.3.

**ETIQA FAMILY TAKAFUL BERHAD**  
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**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.1 Basis of preparation (cont'd.)**

**(a) Statement of compliance (cont'd.)**

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

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

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

**Takaful operations and its funds**

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

In accordance with the Islamic Financial Services Act 2013 ("IFSA"), the assets and liabilities of the takaful funds are segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the takaful funds are consolidated with those of the takaful operator to represent the control possessed by the operator over the respective funds.

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

**ETIQA FAMILY TAKAFUL BERHAD**  
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**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.1 Basis of preparation (cont'd.)**

**(b) Basis of measurement**

The financial statements of 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 estimates and judgements**

The preparation of financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- |   |   |                 |
|---|---|-----------------|
| • | General takaful certificate liabilities | Note 2.2(j)(ii) |
| • | Family takaful certificate liabilities  | Note 2.2(k)(v)  |

The notes referred to above present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the general and family takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 41.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies**

**(a) Property, plant and equipment and depreciation**

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

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 asset begins.

Depreciation on property 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:

Furniture, fittings, office equipment and renovations	20%
Computers and peripherals	14% - 25%
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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(b) Intangible assets**

Intangible assets include 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 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.

**Computer software and licenses**

The useful lives of computer software and licenses 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.

**(c) Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. 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 risk and rewards incidental to ownership are classified as operating leases.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(c) Leases (cont'd.)**

**(ii) Operating leases - the Company as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

**(d) Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Company and/or the takaful funds 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.

The Company determines the classification of its financial assets at initial recognition and this depends on the purpose for which the financial assets were acquired or originated. The categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets.

**(i) Financial assets at FVTPL**

Financial assets as at FVTPL include held-for-trading ("HFT") financial assets and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. HFT financial assets also include derivatives and separated embedded derivatives.

Financial assets can only be designated at FVTPL upon initial recognition if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(d) Financial assets (cont'd.)**

**(i) Financial assets at FVTPL (cont'd.)**

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 FVPTL do not include exchange differences, profit and dividend income. Exchange differences, 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.

**(ii) LAR**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR. Financial assets classified in this category include financing receivables, advances and other receivables. The accounting policies with respect to retakaful assets and takaful receivables are disclosed in Note 2.2(g) and Note 2.2(m) respectively.

These financial assets are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost using the effective profit method less accumulated impairment losses.

**(iii) AFS financial assets**

AFS financial assets are non-derivative financial assets that are designated as available for sale, or are not classified in any of the two preceding categories.

After initial recognition, AFS financial assets are subsequently measured at fair value. Any gains or losses from changes in the fair value of AFS financial assets are recognised in other comprehensive income except for impairment losses, foreign exchange gains and losses on monetary instruments, dividend income and profit calculated using the effective profit method which are recognised in profit or loss.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(d) Financial assets (cont'd.)**

**(iii) AFS financial assets (cont'd.)**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has transferred substantially all the risks and rewards of the financial asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

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 Company and/or the takaful funds commit to purchase or sell the asset.

**(e) Fair value of financial assets at FVTPL and AFS 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 whose fair value cannot be reliably measured are stated at cost and assessed for impairment at each reporting date.

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 provided by the Bond Pricing Agency Malaysia ("BPAM"). In 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 respective issuers. The market value of Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(e) Fair value of financial assets at FVTPL and AFS financial assets (cont'd.)**

Over-the-counter derivatives comprise of foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by respective counter parties 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 instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

**(f) Impairment**

**(a) Financial Assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset.

**(i) Takaful receivables**

To determine whether there is objective evidence that an impairment loss on takaful receivables has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments.

Takaful receivables are initially assessed individually for those receivables that are deemed to be individually significant. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in profit or loss.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(f) Impairment (cont'd.)**

**(a) Financial Assets (cont'd.)**

**(i) Takaful receivables (cont'd.)**

Receivables that are not individually significant or that have been individually assessed with no evidence of impairment are grouped together for collective impairment assessment. These receivables are grouped within similar credit risk characteristics for collective assessment using such data as considered appropriate for purposes of grouping.

Collective loss estimates are based on the historical loss experience of the Company which could include the Company's past experience in collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables. The product of collective loss estimates and grouped receivables represents the expected impairment losses for that portfolio of receivables. The impairment loss is recognised in profit or loss.

The methodology and assumptions used in determining collective loss estimates are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Impairment losses on takaful receivables are recognised as a reduction against the carrying amount through the use of an allowance account. When a takaful receivable becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off in the financial statements are recognised in profit or loss.

Subsequent reversals of impairment loss are recognised when the decrease can be related objectively to an event occurring after the impairment was recognised to the extent that the carrying amount of the asset does not exceed its amortised cost had the impairment loss not been recognised. The reversal is recognised in profit or loss.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(f) Impairment (cont'd.)**

**(a) Financial Assets (cont'd.)**

**(ii) AFS financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment losses previously recognised in profit or loss, is transferred from equity or participants' funds to profit or loss.

Impairment losses on equity investments classified as AFS financial assets are not reversed through profit or loss in subsequent periods. Increases in fair value, if any, subsequent to impairment are recognised in other comprehensive income. For debt instruments classified as AFS financial assets, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after impairment.

**(iii) Unquoted equity securities carried at cost**

If there is objective evidence that an impairment loss on unquoted equities securities carried at cost has been incurred, the carrying amount is written down to the estimated recoverable amount which is determined as the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The impairment loss is recognised in profit and loss and such impairment losses are not reversed subsequent to its recognition.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(f) Impairment (cont'd.)**

**(a) Financial Assets (cont'd.)**

**(iv) Loans and receivables**

LAR are impaired and impairment losses are incurred only if there is objective evidence of impairment loss as a result of the occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account.

**(b) Non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company 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 its written down to its recoverable amount.

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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(g) Retakaful assets**

The Company, as the operator of the participants' funds, cedes takaful risk in the normal course of its takaful business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions, claims and benefits paid or payable are presented on a gross basis.

Retakaful arrangements, entered into by the Company, that meet the classification requirements of takaful certificates as described in Note 2.2(h) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Retakaful assets represent amounts recoverable from retakaful operators for takaful certificate liabilities which have yet to be settled at the reporting date. Amounts recoverable from retakaful operators are measured consistently with the amounts associated with the underlying takaful certificate and the terms of the relevant retakaful arrangement.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that retakaful assets are impaired. Objective evidence of impairment for retakaful assets are similar to those noted for takaful receivables as described in Note 2.2(f)(a)(i). If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in profit or loss.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

**(h) Product classification**

The Company, as the operator of the participants' funds, issues certificates that contain takaful underwriting risk or both financial and takaful underwriting risk.

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(h) Product classification (cont'd.)**

A takaful certificate is a certificate under which the participants' fund has accepted significant takaful risk from the participants by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company defines whether significant 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 takaful underwriting risk accepted is deemed to be significant.

Investment contracts are those contracts that transfer financial risk with no significant takaful underwriting risk.

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

Takaful and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right 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; or
  - (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 Company, fund or other entity 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 the Company may exercise its discretion as to the quantum and timing of payments to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within takaful contract liabilities as at the end of the reporting period.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(h) Product classification (cont'd.)**

For financial options and guarantees which are not closely related to the host takaful certificate 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 a takaful certificate and/or investment contract with DPF, or if the host takaful certificate and/or investment contract itself is measured at fair value through profit or loss.

When takaful certificates contain both a financial risk (or deposit) component and a significant takaful underwriting 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 contributions relating to the takaful underwriting risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

**(i) Shareholder's fund**

**Expense liabilities**

The expense liabilities of the shareholder's fund 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.

**(i) Expense liabilities of general takaful fund**

Expense liabilities in relation to the Company'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") and a Provision of Risk Margin for Adverse Deviation ("PRAD"), as prescribed by BNM.

**(a) 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 calculation of unearned contribution reserves ("UCR").



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(i) Shareholder's fund (cont'd.)**

**Expense liabilities (cont'd.)**

**(i) Expense liabilities of general takaful fund (cont'd.)**

**(b) Unexpired expense reserves**

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD 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").

**(ii) Expense liabilities of 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.

**(iii) Liability adequacy test**

At each reporting date, the Company reviews expense liabilities of the shareholder's fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of shareholder's fund for all managed takaful certificates.

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(j) General takaful fund**

The general takaful fund is maintained in accordance with the IFSA 2013 and consists of AFS reserves and any surplus/deficit attributable to participants which represents the participants' share in the net surplus/deficit of the general takaful fund. Any deficit in the general takaful fund will be made good by the shareholder's fund via a benevolent loan or Qard. Surplus is distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company and as approved by the Appointed Actuary.

The general takaful underwriting results are determined for each class of business after taking into account retakaful, changes in takaful certificate liabilities, wakalah fees and management expenses.

**(i) Contribution income**

Contribution income is recognised in the financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. 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 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 certificates, following the individual risks' inception dates.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

Outward retakaful contributions are recognised in the same financial year as the original certificate to which the retakaful relates.

**(ii) General takaful certificate liabilities**

The general takaful certificate liabilities of the Company comprise claim liabilities and contribution liabilities.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(j) General takaful fund (cont'd.)**

**(ii) General takaful certificate liabilities (cont'd.)**

**Contribution liabilities**

Contribution liabilities represent the Company's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and is recognised as contribution income.

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

**(a) *Unearned contribution reserves***

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

In determining 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
- 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%

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(j) General takaful fund (cont'd.)**

**(ii) General takaful certificate liabilities (cont'd.)**

**(a) *Unearned contribution reserves (cont'd.)***

Wakalah

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

**(b) *Unexpired risk reserves ("URR")***

The URR is a prospective estimate of the expected future payments arising from future events covered under certificates in force as at the reporting date and also includes allowance for expenses, including overheads and costs 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 a Appointed Actuary.

**Claim liabilities**

Claim liabilities represent the Company'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 are 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 value and include a PRAD as prescribed by BNM.

Liabilities for outstanding claims are recognised upon notification by participants.

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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(j) General takaful fund (cont'd.)**

**(iii) Liability adequacy test**

At each reporting date, the Company reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the general takaful fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Company estimates all contractual cash flows and compares this against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statement.

**(iv) Claim expenses**

Claim expenses represent compensation paid or payable on behalf of the certificate holders in relation to 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 Company.

**(v) Commission expenses/acquisition costs**

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 Company and the participants as advised by the Shariah Committee.

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 Company.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(k) Family takaful fund**

The family takaful fund is maintained in accordance with the requirements of the IFSA 2013 and consists of AFS reserves and any surplus/deficit attributable to participants which represents the participants' share in the net surplus/deficit of the family takaful fund.

The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful funds. Surplus distributable to participants is determined after deducting retakaful, claims/benefits paid and payable, expenses, provisions and reserves and is distributed in accordance with the terms and conditions prescribed by the Shariah Committee.

**(i) Contribution income**

Contribution income is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of the Shariah as advised by the Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

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

**(ii) Benefits and claims expenses**

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

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

- maturity and other 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 the contingency covered.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(k) Family takaful fund (cont'd.)**

**(ii) Benefits and claims expenses (cont'd.)**

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

**(iii) Creation/cancellation of units**

Net creation of units which represents contributions paid by 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.

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 participants.

**(iv) Commission expenses/acquisition costs**

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.

Mudharabah principle

Commission expenses are borne by the family takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants 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 Company.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(k) Family takaful fund (cont'd.)**

**(v) Family takaful certificate liabilities**

Family takaful certificate liabilities are recognised when certificates are in-force and contributions are charged.

The family takaful certificate liabilities are derecognised when the certificate expires, is discharged or is cancelled.

Liabilities of the family takaful business are determined in accordance with valuation guidelines for takaful operators as issued by BNM. All family takaful 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 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 product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The value of the unit component is the net asset value ("NAV") of the fund.

For a one year family certificate covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis. For a one year family certificate or a one year extension to a family certificate covering contingencies other than life or survival, the liability for such family takaful certificates comprises contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originating from margins of adverse deviation on run-off contracts are recognised in profit or loss over the period of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(l) Measurement and impairment of Qard**

In the event where the assets of the takaful funds are insufficient to meet the liabilities, the shareholder's 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 shareholder's 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 shareholder's 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.

**(m) Takaful receivables**

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

If there is objective evidence that a takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. Objective evidence of impairment for takaful receivables and the determination of consequential impairment losses are as described in Note 2.2(f)(a)(i).

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

**(n) Cash and cash equivalents**

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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(o) 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 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/takaful certificate liabilities, in which case the deferred tax is also recognised directly in other comprehensive income/takaful certificate liabilities.

**(p) Zakat**

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

**(q) Takaful payables**

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

**(r) Financial liabilities**

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(r) Financial liabilities (cont'd.)**

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 end as at the reporting date, the Company and the takaful funds did not classify any of its financial liabilities at FVTPL.

The Company's other financial liabilities include other payables and subordinated obligation. Other payables are subsequently measured at amortised cost using the effective profit method.

Subsequent to initial recognition, subordinated obligation is recognised at amortised cost using the effective profit method. Subordinated obligation is classified as a current liability unless the Company has 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.

**(s) Employee benefits**

**(i) Short-term benefits**

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised 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 when the absences occur.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(s) Employee benefits (cont'd.)**

**(ii) Defined contribution plan**

As required by law, the Company makes such contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss when incurred.

**(iii) Share-based compensation**

- ESOS

The ESOS is an equity-settled, share-based compensation plan that allows the Directors and employees of the Company to acquire shares of MBB. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to MBB over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, MBB revises its estimates of the number of options that are expected to become exercisable over the vesting period.

- Restricted share units ("RSU")

Senior management personnel of the MBB group, including personnel of the Company, are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new MBB shares or by cash at the absolute discretion of the ESS Committee.

The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within MBB's equity over the vesting period and taking into account the probability that the RSU will vest.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(s) Employee benefits (cont'd.)**

**(iii) Share-based compensation (cont'd.)**

- Restricted share units ("RSU") (cont'd.)

The Company's share of the RSU is recognised as an employee cost with a corresponding increase in the amount due to MBB. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

At each reporting date, MBB revises its estimates of the number of RSU that are expected to be awarded on vesting date.

**(t) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company 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.

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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Summary of Significant Accounting Policies (cont'd.)**

**(u) Other revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and/or takaful funds, and the amount of the revenue can be measured reliably.

**(i) Dividend income**

Dividend income is recognised when the Company's and/or takaful funds' right to receive payment is established.

**(ii) Profit income**

Profit income is recognised using the effective yield method.

**(iii) Fund management fees**

Fund management fees are recognised when services are rendered.

**(v) Fee and commission income**

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 as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

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

Management fee income earned from investment-linked business is recognised on an accrual basis based on the net asset value of the investment-linked funds.

**(w) Equity instruments**

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

**(x) 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 Company.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 Amendments to MFRS**

At the beginning of the current financial year, the Company adopted the following amendments to MFRSs and annual improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2017:

MFRS 107 Statement of Cash Flows - Disclosure Initiative (Amendments to MFRS 107)  
MFRS 112 Income Taxes - Recognition of Deferred Tax for Unrealised Losses  
(Amendments to MFRS 112)  
Amendment to MFRS 12 Disclosure of Interests in Other Entities  
(Annual Improvements to MFRSs 2014-2016 Cycle)

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective**

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
Transfer to Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle:	
(i) Amendment to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128 Investments in Associates and Joint Ventures	1 January 2018

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements	1 January 2019
(ii) Amendments to MFRS 112 Income Tax	1 January 2019
(iii) Amendments to MFRS 123 Borrowing Costs	1 January 2019
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 (Amendments to MFRS128)	To be announced by MASB

The Company does not expect that the adoption of the above pronouncements will have significant financial implications in future financial statements other than below:

**MFRS 9 *Financial Instruments***

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**MFRS 9 *Financial Instruments (cont'd.)***

The areas with expected impact from application of MFRS 9 are summarised below:

**(i) Classification and measurement**

MFRS 9 requires financial assets to be classified on the basis of two criterias:

- (1) The business model within financial assets are managed; and
- (2) The contractual cash flows characteristic.

At initial recognition, each financial assets will be classified as either amortised cost, fair value through other comprehensive income ("FVOCI"), or FVTPL as summarised in below table:

Amortised Cost	Fair Value	
	FVOCI	FVTPL
<ul style="list-style-type: none"> <li>• Financial assets will be measured at amortised cost if the 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets will be measured at FVOCI if the 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.</li> <li>• 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).</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets will be measured at FVTPL if the assets that are held for trading or financial assets that qualify for neither held at amortised cost nor at FVOCI.</li> <li>• Equity instruments that were not elected for FVOCI will be measured at FVTPL.</li> </ul>

Classification and measurement of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**MFRS 9 *Financial Instruments* (cont'd.)**

**(ii) Impairment**

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under the current accounting standard. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

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

- 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. 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	Stage 2	Stage 3
	Performing	Under-performing	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

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**MFRS 9 *Financial Instruments* (cont'd.)**

**(ii) Impairment (cont'd.)**

- ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and the exposure at default model ("EAD"). The model is to leverage as much as possible the Maybank Group's Basel II models and performed the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Company decided to continue measure the impairment on an individual transaction basis for financial assets that are deemed to be individually significant.

- Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioural life.

- Forward looking information

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information will be based on the Group's and the Bank's research arm, Maybank Kim Eng ("MKE"). In addition, the MKE Research's assumptions and analysis would also be based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**MFRS 9 *Financial Instruments* (cont'd.)**

**(ii) Impairment (cont'd.)**

MBB has established a MFRS 9 project sponsored by Group Chief Financial Officer and co-sponsored by Group Chief Risk Officer and includes the subject matter experts with assistance from external consultants to plan and manage the implementation of MFRS 9. This implementation project consists of the following phases:

**(a) Phase 1 - Impact assessment and solution development**

This phase involves the following:

- (i) Provide a clear understanding of the new accounting requirements via training;
- (ii) Perform gap and impact assessment;
- (iii) Understand the interdependencies with other projects; and
- (iv) Develop MFRS 9 blue-print.

**(b) Phase 2 - Build, test and deploy**

This phase aims to:

- (i) Develop detailed implementation plan;
- (ii) Determine accounting policies to be adopted by the Company; and
- (iii) Identify optimal solutions for the Company.

**(c) Phase 3 - Go live**

This phase involves the following:

- (i) Parallel run and deployment of solution tools; and
- (ii) Reassessment of solution tools and conclusion.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

***MFRS 9 Financial Instruments (cont'd.)***

**(ii) Impairment (cont'd.)**

The Company had completed Phase 1 during the financial year ended 31 December 2016 and Phase 2 on 30 June 2017. Specifically on 1 July 2017, the Group has carried out the Phase 3 - parallel run on the financial instruments that are impacted by the classification and measurement requirements and ECL computation based on the developed impairment methodology. During the financial year ended 31 December 2017, the Company has also developed its approach for assessing significant increase in credit risk, incorporating forward looking information, including the probability weighted outcome of future economic conditions.

The overall governance of MFRS 9 project implementation is through the MFRS 9 Project Steering Committee which includes representation from Finance, Risk, IT and various Business sectors. In addition, the Audit Committee of the Board and the Board of Directors have provided effective oversight of the Company's progress in preparation of MFRS 9 adoption along with the regular updates on the MFRS 9 progress and readiness by the project team.

Overall, the Company anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification and measurement requirements will affect the presentation and disclosures within the Company's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses. The final impacts are still being assessed and may be adjusted as necessary.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**MFRS 9 *Financial Instruments* (cont'd.)**

**(ii) Impairment (cont'd.)**

**MFRS 9 *Prepayment Features with Negative Compensation*  
(Amendments to MFRS 9)**

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding ("the SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Company's financial statements.

**MFRS 15 *Revenue from Contracts with Customers***

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**MFRS 15 Revenue from Contracts with Customers (Cont'd.)**

**(ii) Impairment (Cont'd.)**

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 which include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company has adopted the standard on its effective date, using the modified retrospective method of adoption. The standard does not apply to income or revenue associated with financial instruments scoped in MFRS 9 such as loan, advances and financing and financial investment securities.

Maybank has established a project team, with assistance from the various lines of business and finance management to evaluate the potential impact of adopting this standard. The implementation efforts included the scoping of material revenue streams, analysis of underlying contracts, business unit discussion to further assess specific contracts and products and the development of updated disclosures. Based on the completed contracts reviews to date, the potential changes in revenue recognition for those contracts are not expected to result in a material impact to the Company upon adoption. The project team is developing additional quantitative and qualitative disclosures that will be required upon the adoption of the new revenue recognition standard.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)**

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Company has opted not to apply the exemptions permitted under these amendments and will fully adopt MFRS 9 effective on 1 January 2018.

**MFRS 16 Leases**

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.



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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**MFRS 16 Leases (Cont'd.)**

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

**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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

***MFRS 17 Insurance Contracts (Cont'd.)***

The main features of the new accounting model for insurance contracts are, as follows (Cont'd.):

- 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.

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 retrospective approach for estimating the CSM on the transition date. However, if full retrospective 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

***MFRS 17 Insurance Contracts (Cont'd.)***

The Company has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

**IC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

IC Interpretation 22 addresses the exchange rate that should be used to measure revenue (or expense) when the related consideration was received (or paid) in advance. It requires that the exchange rate to use is the one that applied when the non-monetary asset (or liability) arising from the receipt (or payment) of advance consideration was initially recognised.

IC Interpretation 22 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply these amendments:

- (i) retrospectively according to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors; or
- (ii) prospectively to all assets, expenses and income in the scope of the interpretation initially recognised on or after:
  - the beginning of the reporting period in which the entity first applies the interpretation; or
  - the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Company does not anticipate significant impact to the financial statements upon adoption of the interpretation.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**IC Interpretation 23 Uncertainty over Income Tax Treatments**

IC Interpretation 23 clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments (e.g. when recognising a current tax asset if tax laws require entities to make payments on a disputed tax treatment).

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company does not anticipate significant impact to the financial statements upon adoption of the interpretation.

**Annual Improvements to MFRSs 2014-2016 Cycle**

**(i) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards**

The amendments removed a number of short-term exemptions because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed.

The Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (cont'd.)**

**Annual Improvements to MFRSs 2014-2016 Cycle (cont'd.)**

**(ii) Amendments to MFRS 112 Income Tax**

The amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

The Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

**(iii) Amendments to MFRS 123 Borrowing Costs**

Paragraph 14 of MFRS 123 requires an entity to exclude borrowings made specifically for the purpose of obtaining/constructing a qualifying asset i.e. specific borrowings, when determining the funds that an entity borrows generally i.e. general borrowings and the funds that it uses for the purpose of obtaining/constructing a qualifying asset. The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. Therefore, from that date, the rate applied on those specific borrowings are included in the determination of the capitalisation rate of general borrowings accordingly.

The Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

**2.5 Companies Act 2016**

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act, 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

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## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.5 Companies Act 2016 (cont'd.)**

The financial statements of the Group and the Company are prepared in accordance with the requirements of the New Act. Amongst the key changes introduced in the New Act which affected the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares of the Company will cease to have par or nominal value; and
- (c) the Company's share premium will become part of the share capital.

The adoption of the New Act is not expected to have any financial impact on the Company for the current financial year ended 31 December 2017 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Company in the next financial year ended 31 December 2017.

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**3. PROPERTY, PLANT AND EQUIPMENT**

**Shareholder's fund**

	<b>Furniture, fittings, office equipment and renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Work In Progress RM'000</b>	<b>Total RM'000</b>
<b>2017</b>					
<b>Cost</b>					
At 1 January	3,879	745	323	-	4,947
Additions	43	-	-	292	335
Retirement	(195)	(2)	-	-	(197)
At 31 December	<u>3,727</u>	<u>743</u>	<u>323</u>	<u>292</u>	<u>5,085</u>
<b>Accumulated Depreciation</b>					
At 1 January	3,421	733	323	-	4,477
Charge for the year	281	12	-	-	293
Retirement	(178)	(2)	-	-	(180)
At 31 December	<u>3,524</u>	<u>743</u>	<u>323</u>	<u>-</u>	<u>4,590</u>
<b>Net Book Value</b>					
At 31 December	<u>203</u>	<u>-</u>	<u>-</u>	<u>292</u>	<u>495</u>
<b>2016</b>					
<b>Cost</b>					
At 1 January	3,824	745	323	-	4,892
Additions	55	-	-	-	55
At 31 December	<u>3,879</u>	<u>745</u>	<u>323</u>	<u>-</u>	<u>4,947</u>
<b>Accumulated Depreciation</b>					
At 1 January	3,109	644	323	-	4,076
Charge for the year	312	89	-	-	401
At 31 December	<u>3,421</u>	<u>733</u>	<u>323</u>	<u>-</u>	<u>4,477</u>
<b>Net Book Value</b>					
At 31 December	<u>458</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>470</u>

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**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

**\*\*\* General takaful fund**

**Furniture,  
fittings, office  
equipment and  
renovations  
RM'000**

**2017/2016**

**Cost**

At 1 January/31 December

23

**Accumulated Depreciation**

At 1 January/31 December

23

**Net Book Value**

At 31 December

-

*\*\*\* The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

**Family takaful fund**

	<b>Furniture, fittings, office equipment and renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Total RM'000</b>
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**2017/2016**

**Cost**

At 1 January/31 December

32

5

37

**Accumulated Depreciation**

At 1 January/31 December

32

5

37

**Net Book Value**

At 1 January/31 December

-

-

-



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**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

**\*\* Company**

	<b>Furniture, fittings, office equipment and renovations RM'000</b>	<b>Computers and peripherals RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Work In Progress RM'000</b>	<b>Total RM'000</b>
<b>2017</b>					
<b>Cost</b>					
At 1 January	3,911	750	323	-	4,984
Additions	43	-	-	292	335
Retirement	(195)	(2)	-	-	(197)
At 31 December	<u>3,759</u>	<u>748</u>	<u>323</u>	<u>292</u>	<u>5,122</u>
<b>Accumulated Depreciation</b>					
At 1 January	3,453	738	323	-	4,514
Charge for the year	281	12	-	-	293
Retirement	(178)	(2)	-	-	(180)
At 31 December	<u>3,556</u>	<u>748</u>	<u>323</u>	<u>-</u>	<u>4,627</u>
<b>Net Book Value</b>					
At 31 December	<u>203</u>	<u>-</u>	<u>-</u>	<u>292</u>	<u>495</u>
<b>2016</b>					
<b>Cost</b>					
At 1 January	3,856	750	323	-	4,929
Additions	55	-	-	-	55
At 31 December	<u>3,911</u>	<u>750</u>	<u>323</u>	<u>-</u>	<u>4,984</u>
<b>Accumulated Depreciation</b>					
At 1 January	3,141	649	323	-	4,113
Charge for the year	312	89	-	-	401
At 31 December	<u>3,453</u>	<u>738</u>	<u>323</u>	<u>-</u>	<u>4,514</u>
<b>Net Book Value</b>					
At 31 December	<u>458</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>470</u>

**\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.**

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**4. INTANGIBLE ASSETS**

<b>Shareholder's fund</b>	<b>Computer software and licences RM'000</b>	<b>Software development in progress costs RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
<b>Cost</b>			
At 1 January	14,157	725	14,882
Additions	351	612	963
At 31 December	<u>14,508</u>	<u>1,337</u>	<u>15,845</u>
<b>Accumulated amortisation</b>			
At 1 January	9,137	-	9,137
Amortisation charge for the year	750	-	750
At 31 December	<u>9,887</u>	<u>-</u>	<u>9,887</u>
<b>Net Book Value</b>			
At 31 December	<u>4,621</u>	<u>1,337</u>	<u>5,958</u>
<b>2016</b>			
<b>Cost</b>			
At 1 January	13,808	-	13,808
Additions	349	725	1,074
At 31 December	<u>14,157</u>	<u>725</u>	<u>14,882</u>
<b>Accumulated amortisation</b>			
At 1 January	8,427	-	8,427
Amortisation charge for the year	710	-	710
At 31 December	<u>9,137</u>	<u>-</u>	<u>9,137</u>
<b>Net Book Value</b>			
At 31 December	<u>5,020</u>	<u>725</u>	<u>5,745</u>

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**4. INTANGIBLE ASSETS (CONT'D.)**

**\*\*\* General takaful fund**

	<b>Computer software and licences RM'000</b>
<b>2017/2016</b>	
<b>Cost</b>	
At 1 January/31 December	<u>5,536</u>
<b>Accumulated amortisation</b>	
At 1 January/31 December	<u>5,536</u>
<b>Net Book Value</b>	
At 31 December	<u>-</u>

*\*\*\* The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

**Family takaful fund**

	<b>Computer software and licences RM'000</b>
<b>2017/2016</b>	
<b>Cost</b>	
At 1 January/31 December	<u>9,020</u>
<b>Accumulated amortisation</b>	
At 1 January/31 December	<u>9,020</u>
<b>Net Book Value</b>	
At 1 January/31 December	<u>-</u>

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**4. INTANGIBLE ASSETS (CONT'D.)**

**\*\* Company**

	<b>Computer software and licences RM'000</b>	<b>Software development in progress costs RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
<b>Cost</b>			
At 1 January	28,713	725	29,438
Additions	351	612	963
At 31 December	<u>29,064</u>	<u>1,337</u>	<u>30,401</u>
<b>Accumulated amortisation</b>			
At 1 January	23,693	-	23,693
Amortisation charge for the year	750	-	750
At 31 December	<u>24,443</u>	<u>-</u>	<u>24,443</u>
<b>Net book value</b>			
At 31 December	<u>4,621</u>	<u>1,337</u>	<u>5,958</u>
<b>2016</b>			
<b>Cost</b>			
At 1 January	28,364	-	28,364
Additions	349	725	1,074
At 31 December	<u>28,713</u>	<u>725</u>	<u>29,438</u>
<b>Accumulated amortisation</b>			
At 1 January	22,983	-	22,983
Amortisation charge for the year	710	-	710
At 31 December	<u>23,693</u>	<u>-</u>	<u>23,693</u>
<b>Net book value</b>			
At 31 December	<u>5,020</u>	<u>725</u>	<u>5,745</u>

**\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.**

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**5. INVESTMENTS**

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
Malaysian government papers	226,964	340,197	202,793	429,757
Debt securities	1,925,830	1,142,232	7,880,121	9,805,951
Equity securities	129,806	12,668	908,007	1,037,813
Unit and property trust funds	-	-	1,143	1,143
Investment-linked units	25,233	-	-	-
Negotiable Islamic certificates of deposit ("NICD")	-	-	128,157	128,157
Deposits with financial institutions	109,672	202,251	582,977	692,649
	<u>2,417,505</u>	<u>1,697,348</u>	<u>9,703,198</u>	<u>12,095,470</u>

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>				
Malaysian government papers	306,503	355,813	234,991	897,307
Debt securities	1,834,341	1,021,666	7,368,567	10,224,574
Equity securities	107,597	12,795	869,150	989,542
Unit and property trust funds	3,965	302	40,320	44,587
Investment-linked units	23,373	-	-	-
Negotiable Islamic certificates of deposit ("NICD")	-	-	123,182	123,182
Deposits with financial institutions	139,319	370,083	582,233	1,091,635
	<u>2,415,098</u>	<u>1,760,659</u>	<u>9,218,443</u>	<u>13,370,827</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

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**5. INVESTMENTS (CONT'D.)**

Included in equity investments of the shareholder's fund and family takaful funds are investments in Shariah-compliant securities listed on the Main Market of Bursa Malaysia which were subsequently categorised as non-Shariah compliant securities on 24 November 2017.

The carrying amount of these investments as at 31 December 2017 and the realised losses recognised in relation to these investments during the year are as follows:

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
AFS financial assets	267	-	4,023	4,290
Financial assets at FVTPL - HFT	-	-	193	193
	<u>267</u>	<u>-</u>	<u>4,216</u>	<u>4,483</u>
Net realised losses	<u>-</u>	<u>-</u>	<u>(20)</u>	<u>(20)</u>

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**5. INVESTMENTS (CONT'D.)**

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

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
Available-for-sale ("AFS")	2,307,833	1,495,097	3,883,663	6,166,263
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	5,156,269	5,156,269
- Held for trading ("HFT")	-	-	80,289	80,289
Loans and receivables ("LAR")	109,672	202,251	582,977	692,649
	<u>2,417,505</u>	<u>1,697,348</u>	<u>9,703,198</u>	<u>12,095,470</u>
	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>				
Available-for-sale ("AFS")	2,275,779	1,390,576	2,931,491	6,574,473
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	5,676,652	5,676,652
- Held for trading ("HFT")	-	-	28,067	28,067
Loans and receivables ("LAR")	139,319	370,083	582,233	1,091,635
	<u>2,415,098</u>	<u>1,760,659</u>	<u>9,218,443</u>	<u>13,370,827</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

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**5. INVESTMENTS (CONT'D.)**

The following investments will mature after 12 months:

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
AFS	2,152,794	1,371,938	2,956,574	5,109,368
FVTPL				
- Designated upon initial recognition	-	-	4,916,895	4,916,895
- HFT	-	-	23,473	23,473
	<u>2,152,794</u>	<u>1,371,938</u>	<u>7,896,942</u>	<u>10,049,736</u>
<b>2016</b>				
AFS	2,140,844	1,312,109	2,022,846	5,475,799
FVTPL				
- Designated upon initial recognition	-	-	5,508,429	5,508,429
- HFT	-	-	17,863	17,863
	<u>2,140,844</u>	<u>1,312,109</u>	<u>7,549,138</u>	<u>11,002,091</u>

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**5. INVESTMENTS (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>(i) AFS</b>				
<b>2017</b>				
<u>At fair value:</u>				
Malaysian government papers	226,964	340,197	57,280	284,244
Unquoted debt securities in Malaysia	1,925,830	1,142,232	2,954,330	4,880,160
Quoted equity securities in Malaysia	129,806	12,668	851,699	981,505
Quoted unit and property trust funds in Malaysia	-	-	635	635
Investment-linked units	25,233	-	-	-
NICD	-	-	19,719	19,719
	<u>2,307,833</u>	<u>1,495,097</u>	<u>3,883,663</u>	<u>6,166,263</u>
	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>				
<u>At fair value:</u>				
Malaysian government papers	306,503	355,813	48,537	710,853
Unquoted debt securities in Malaysia	1,834,341	1,021,666	1,964,734	4,820,741
Quoted equity securities in Malaysia	107,597	12,795	859,172	979,564
Quoted unit and property trust funds in Malaysia	3,965	302	40,094	44,361
Investment-linked units	23,373	-	-	-
NICD	-	-	18,954	18,954
	<u>2,275,779</u>	<u>1,390,576</u>	<u>2,931,491</u>	<u>6,574,473</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

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**5. INVESTMENTS (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>(ii) FVTPL</b>				
<b>- Designated upon initial recognition</b>				
<b>2017</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	140,809	140,809
Unquoted debt securities in Malaysia	-	-	4,907,022	4,907,022
NICD	-	-	108,438	108,438
	<u>-</u>	<u>-</u>	<u>5,156,269</u>	<u>5,156,269</u>
	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	179,283	179,283
Unquoted debt securities in Malaysia	-	-	5,393,141	5,393,141
NICD	-	-	104,228	104,228
	<u>-</u>	<u>-</u>	<u>5,676,652</u>	<u>5,676,652</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

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**5. INVESTMENTS (CONT'D.)**

**(ii) FVTPL (cont'd.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>- Held For Trading</b>				
<b>2017</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	4,704	4,704
Unquoted debt securities in Malaysia	-	-	18,769	18,769
Quoted equity securities in Malaysia	-	-	56,308	56,308
Quoted unit and property trust funds outside Malaysia	-	-	508	508
	<u>-</u>	<u>-</u>	<u>80,289</u>	<u>80,289</u>
	<u>-</u>	<u>-</u>	<u>80,289</u>	<u>80,289</u>
	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
<b>2016</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	7,171	7,171
Unquoted debt securities in Malaysia	-	-	10,692	10,692
Quoted equity securities in Malaysia	-	-	9,978	9,978
Quoted unit and property trust funds outside Malaysia	-	-	226	226
	<u>-</u>	<u>-</u>	<u>28,067</u>	<u>28,067</u>
	<u>-</u>	<u>-</u>	<u>28,067</u>	<u>28,067</u>

\*\*\* The assets and liabilities are considered as discontinued operations as disclosed in page 33.

\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

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**5. INVESTMENTS (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>(iii) LAR</b>				
<b>2017</b>				
<b>Deposits and placements with financial institutions</b>				
Islamic investment accounts with:				
Licensed financial institutions	73,120	177,154	512,387	585,507
Others	36,552	25,097	70,590	107,142
	<u>109,672</u>	<u>202,251</u>	<u>582,977</u>	<u>692,649</u>
<b>2016</b>				
<b>Deposits and placements with financial institutions</b>				
Islamic investment accounts with:				
Licensed financial institutions	98,616	349,612	494,201	942,429
Others	40,703	20,471	88,032	149,206
	<u>139,319</u>	<u>370,083</u>	<u>582,233</u>	<u>1,091,635</u>

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

Included in LAR financial assets are assets pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic Berhad which amounted to RM3,000,000 (2016: RM3,000,000).

An analysis of the different fair value measurement basis used in the determination of the fair values of investments are further disclosed in Note 44 to the financial statements.

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

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**6. FINANCING RECEIVABLES**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Corporate loans	-	3,331	-	-
Staff loans:				
Secured	16,464	-	-	16,464
Unsecured	-	-	-	-
Others	2,952	-	11	2,963
Allowance for impairment losses (Note 42)	(2,219)	(3,331)	(11)	(2,230)
	<u>17,197</u>	<u>-</u>	<u>-</u>	<u>17,197</u>
Receivable after 12 months	<u>14,921</u>	<u>-</u>	<u>-</u>	<u>14,921</u>
<b>2016</b>				
Corporate loans	-	3,331	-	3,331
Staff loans:				
Secured	15,113	-	-	15,113
Unsecured	-	-	-	-
Others	3,039	-	11	3,050
Allowance for impairment losses (Note 42)	(781)	(3,331)	(11)	(4,123)
	<u>17,371</u>	<u>-</u>	<u>-</u>	<u>17,371</u>
Receivable after 12 months	<u>13,413</u>	<u>-</u>	<u>-</u>	<u>13,413</u>

The carrying amount approximates fair values as these loans are issued at 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 weighted average effective profit rates during the financial year was 4.61% (2016: 3.85%) per annum.

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**7. RETAKAFUL ASSETS**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Retakaful operators' share of:		
*** General takaful certificate liabilities (Note 13)	262,172	242,173
Claims liabilities (Note 13 (a)(i))	217,096	215,514
Contribution liabilities (Note 13(a)(ii))	45,076	26,659
Allowance for impairment losses in relation to to general takaful certificate liabilities (Note 42)	(4)	-
	262,168	242,173
Family takaful certificate liabilities (Note 13)	79,085	49,675
Claims liabilities (Note 13(b)(i))	9,445	9,356
Actuarial liabilities (Note 13(b)(i))	69,640	40,319
	79,085	291,848

**8. TAKAFUL RECEIVABLES**

	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>			
Due contributions including agents/ brokers and co-takaful balances	94,560	69,963	69,963
Due from retakaful operators	12,225	11,001	11,001
	106,785	80,964	80,964
Allowance for impairment losses (Note 42)	(6,165)	(2,292)	(2,292)
	100,620	78,672	78,672
	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>			
Due contributions including agents/ brokers and co-takaful balances	59,738	78,248	137,986
Due from retakaful operators	12,440	8,828	21,268
	72,178	87,076	159,254
Allowance for impairment losses (Note 42)	(7,077)	(2,080)	(9,157)
	65,101	84,996	150,097

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**8. TAKAFUL RECEIVABLES (CONT'D.)**

Amounts due from agents/brokers, co takaful business, retakaful and cedants that have been offset against amount due to the same are as follows:

	<b>Gross amount recognised in offset in Statement of Financial Position RM'000</b>	<b>Gross carrying amount RM'000</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
<b>(a) *** General takaful fund</b>			
<b>2017</b>			
Due contributions including agents/ brokers and co-takaful balances	106,432	(11,872)	94,560
Due from retakaful operators	21,741	(9,516)	12,225
	<u>128,173</u>	<u>(21,388)</u>	<u>106,785</u>
<b>2016</b>			
Due contributions including agents/ brokers and co-takaful balances	78,870	(19,132)	59,738
Due from retakaful operators	16,994	(4,554)	12,440
	<u>95,864</u>	<u>(23,686)</u>	<u>72,178</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

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**8. TAKAFUL RECEIVABLES (CONT'D.)**

Amounts due from agents/brokers, co takaful business, retakaful and cedants that have been offset against amount due to the same are as follows:

	<b>Gross amount recognised offset in</b>	<b>Net amounts in the</b>	
	<b>Gross carrying amount RM'000</b>	<b>Statement of Financial Position RM'000</b>	<b>Statement of Financial Position RM'000</b>
<b>(b) Family takaful fund</b>			
<b>2017</b>			
Due contributions including agents/ brokers and co-takaful balances	69,963	-	69,963
Due from retakaful operators	44,470	(33,469)	11,001
	<u>114,433</u>	<u>(33,469)</u>	<u>80,964</u>
<b>2016</b>			
Due contributions including agents/ brokers and co-takaful balances	78,248	-	78,248
Due from retakaful operators	32,310	(23,482)	8,828
	<u>110,558</u>	<u>(23,482)</u>	<u>87,076</u>

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

Included in due contributions including agents/brokers and co-takaful balances are balances due from related parties amounting to RM 294,977 (2016: RM409,847) as disclosed in Note 39. The receivable amounts are subject to settlement terms stipulated in the takaful contracts.



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**9. OTHER RECEIVABLES**

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
Sundry receivables, deposits and prepayments	5,437	151	630	6,067
Allowance for impairment losses	(2,317)	-	(510)	(2,827)
	<u>3,120</u>	<u>151</u>	<u>120</u>	<u>3,240</u>
Investment profit and dividend receivable	25,497	15,746	103,167	128,664
Amounts due from:				
General takaful fund*	113,438	-	1,563	115,001
Family takaful fund*	105,948	-	-	-
Amounts due from stockbrokers	25,064	-	155,333	180,397
Goods and service tax recoverable	81	-	-	81
	<u>273,148</u>	<u>15,897</u>	<u>260,183</u>	<u>427,383</u>
	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>				
Sundry receivables, deposits and prepayments	3,134	389	702	4,225
Allowance for impairment losses	(1,237)	-	(510)	(1,747)
	<u>1,897</u>	<u>389</u>	<u>192</u>	<u>2,478</u>
Investment profit and dividend receivable	25,627	14,871	94,366	134,864
Amounts due from:				
General takaful fund*	132,194	-	6,365	-
Family takaful fund*	129,539	-	-	-
Goods and service tax recoverable	2,936	-	-	2,936
	<u>292,193</u>	<u>15,260</u>	<u>100,923</u>	<u>140,278</u>

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

\* The amounts due from the general takaful and family takaful funds in the respective funds are non-trade in nature, unsecured, not subject to any profit elements and are repayable upon demand.

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**9. OTHER RECEIVABLES (CONT'D.)**

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

**10. SHARE CAPITAL**

<b>Shareholder's fund/Company</b>	<b>No. of shares '000</b>	<b>Amount RM'000</b>
<b>2017/2016</b>		
<b>Issued and fully paid :</b>		
<u>Ordinary shares</u>		
At 1 January/31 December	<u>400,000</u>	<u>400,000</u>

**11. RESERVES**

	<b>Shareholder's fund RM'000</b>	<b>Company RM'000</b>
<b>2017</b>		
<b>Non-distributable:</b>		
AFS reserves	(20,817)	(20,817)
Less: Seed money elimination	-	(4,233)
	<u>(20,817)</u>	<u>(25,050)</u>
<b>Distributable:</b>		
Retained profits	<u>1,382,972</u>	<u>1,382,972</u>
	<u>1,362,155</u>	<u>1,357,922</u>
<b>2016</b>		
<b>Non-distributable:</b>		
AFS reserves	(20,082)	(20,082)
Less: Seed money elimination	-	(2,373)
	<u>(20,082)</u>	<u>(22,455)</u>
<b>Distributable:</b>		
Retained profits	<u>1,393,143</u>	<u>1,393,143</u>
	<u>1,373,061</u>	<u>1,370,688</u>

The AFS reserves of the Company arose from changes in the fair value of the investments classified as AFS financial assets. The entire distributable retained profits may be distributed to the shareholders under the single-tier system.

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**12. PARTICIPANTS' FUND**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Takaful funds and Company</b>		
*** General takaful fund (Note (a))	183,549	155,321
Family takaful fund (Note (b))	2,998,277	2,824,275
** Company	<u>2,998,277</u>	<u>2,979,596</u>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) *** General takaful fund</b>		
Accumulated surplus (Note (i))	196,302	175,393
AFS reserves (Note (ii))	<u>(12,753)</u>	<u>(20,072)</u>
	<u>183,549</u>	<u>155,321</u>
(i) Accumulated surplus		
At 1 January	175,393	146,002
Surplus arising during the year	112,306	137,240
Hibah paid to participants during the year	<u>(91,397)</u>	<u>(107,849)</u>
At 31 December	<u>196,302</u>	<u>175,393</u>
(ii) AFS reserves		
At 1 January	(20,072)	(29,109)
Net gain/(loss) on fair value changes	13,801	25,829
Realised gain transferred to income statement (Note 23)	(4,171)	(13,427)
Deferred tax on fair value changes (Note 16)	<u>(2,311)</u>	<u>(3,365)</u>
At 31 December	<u>(12,753)</u>	<u>(20,072)</u>

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\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

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**12. PARTICIPANTS' FUND (CONT'D.)**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Family takaful fund</b>		
Accumulated surplus (Note (i))	1,723,241	2,738,884
Surplus attributable to participants (Note (ii))	1,303,437	75,582
AFS reserves (Note (iii))	(28,401)	9,809
	<u>2,998,277</u>	<u>2,824,275</u>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Accumulated surplus</b>		
At 1 January	2,738,884	2,451,312
Surplus arising during the year	240,313	333,322
Surplus attributable to participants during the year	(1,227,855)	(25,844)
Hibah paid to participants during the year	(28,101)	(19,906)
At 31 December	<u>1,723,241</u>	<u>2,738,884</u>
<b>(ii) Surplus attributable to participants</b>		
At 1 January	75,582	49,738
Surplus attributable to participants during the year	1,227,855	25,844
At 31 December	<u>1,303,437</u>	<u>75,582</u>
<b>(iii) AFS reserves</b>		
At 1 January	9,809	20,709
Net gain on fair value changes	68,640	12,265
Realised gain transferred to income statement (Note 23)	(109,363)	(24,086)
Deferred tax on fair value changes (Note 16)	2,513	921
At 31 December	<u>(28,401)</u>	<u>9,809</u>

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**13. TAKAFUL CERTIFICATE LIABILITIES**

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>Takaful funds and Company</b>			
<b>2017</b>			
*** General takaful fund (Note (a))	1,507,100	(262,172)	1,244,928
Family takaful fund (Note (b))	6,799,229	(79,085)	6,720,144
Less: Seed money elimination	(21,000)	-	(21,000)
** Company	<u>6,778,229</u>	<u>(79,085)</u>	<u>6,699,144</u>
<b>2016</b>			
General takaful fund (Note (a))	1,559,724	(242,173)	1,317,551
Family takaful fund (Note (b))	6,341,039	(49,675)	6,291,364
Less: Seed money elimination	(21,000)	-	(21,000)
Company	<u>7,879,763</u>	<u>(291,848)</u>	<u>7,587,915</u>

**(a) \*\*\* General takaful fund**

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2017</b>			
Claims liabilities (Note (i))	932,652	(217,096)	715,556
Contribution liabilities (Note (ii))	574,448	(45,076)	529,372
	<u>1,507,100</u>	<u>(262,172)</u>	<u>1,244,928</u>
<b>2016</b>			
Claims liabilities (Note (i))	978,209	(215,514)	762,695
Contribution liabilities (Note (ii))	581,515	(26,659)	554,856
	<u>1,559,724</u>	<u>(242,173)</u>	<u>1,317,551</u>

\*\*\* The assets and liabilities are considered as discontinued operations as disclosed in page 33.

\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

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**13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)**

**(a) \*\*\* General takaful fund (cont'd.)**

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
(i) Claims liabilities			
<b>2017</b>			
At 1 January	978,209	(215,514)	762,695
Claims incurred in the current accident year	724,821	(26,290)	698,531
Movement in claims incurred in prior accident years	6,192	(76,245)	(70,053)
Claims paid during the year	(768,080)	94,916	(673,164)
Movements in PRAD	(8,490)	6,037	(2,453)
At 31 December	<u>932,652</u>	<u>(217,096)</u>	<u>715,556</u>
<b>2016</b>			
At 1 January	925,935	(185,579)	740,356
Claims incurred in the current accident year	772,249	(75,243)	697,006
Movement in claims incurred in prior accident years	(29,723)	4,821	(24,902)
Claims paid during the year	(610,410)	29,524	(580,886)
Movements in PRAD	(79,842)	10,963	(68,879)
At 31 December	<u>978,209</u>	<u>(215,514)</u>	<u>762,695</u>
(ii) Contribution liabilities			
<b>2017</b>			
At 1 January	581,515	(26,659)	554,856
Contributions written during the year	1,218,365	(141,534)	1,076,831
Contributions earned during the year	(1,225,432)	123,117	(1,102,315)
At 31 December	<u>574,448</u>	<u>(45,076)</u>	<u>529,372</u>
<b>2016</b>			
At 1 January	579,968	(17,821)	562,147
Contributions written during the year	1,181,642	(103,743)	1,077,899
Contributions earned during the year	(1,180,095)	94,905	(1,085,190)
At 31 December	<u>581,515</u>	<u>(26,659)</u>	<u>554,856</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

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**13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)**

**(b) Family takaful fund**

- (i) The family takaful certificate liabilities and its movements are further analysed as follows:

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>2017</b>			
Claims liabilities (Note (ii))	163,743	(9,445)	154,298
Actuarial liabilities (Note (ii))	6,529,879	(69,640)	6,460,239
NAV attributable to unit holders (Note (ii))	105,607	-	105,607
	<u>6,799,229</u>	<u>(79,085)</u>	<u>6,720,144</u>
<b>2016</b>			
Claims liabilities (Note (ii))	152,003	(9,356)	142,647
Actuarial liabilities (Note (ii))	6,158,453	(40,319)	6,118,134
NAV attributable to unit holders (Note (ii))	30,583	-	30,583
	<u>6,341,039</u>	<u>(49,675)</u>	<u>6,291,364</u>

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**13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)**

(b) Family takaful fund (Cont'd.)

(ii) The movements of the family takaful certificate liabilities are as follows:

	<b>Claims Liabilities RM'000</b>	<b>Actuarial Liabilities RM'000</b>	<b>NAV Attributable to Unit holders RM'000</b>	<b>Gross Liabilities RM'000</b>	<b>Retakaful Assets RM'000</b>	<b>Net Liabilities RM'000</b>
<b>2017</b>						
At 1 January	152,003	6,158,453	30,583	6,341,039	(49,675)	6,291,364
Net earned contribution	-	-	79,763	79,763	(63,031)	16,732
Other revenue	-	-	4,625	4,625	-	4,625
Experience/benefit variation	(445)	-	(9)	(454)	27,801	27,347
Claims intimated during the year	766,932	(766,932)	-	-	(89)	(89)
Claims paid during the year	(754,747)	-	(8,533)	(763,280)	35,228	(728,052)
Other expenses	-	-	(492)	(492)	-	(492)
Taxation	-	-	(330)	(330)	-	(330)
Increase in certificate reserves	-	1,138,358	-	1,138,358	(29,319)	1,109,039
At 31 December	<u>163,743</u>	<u>6,529,879</u>	<u>105,607</u>	<u>6,799,229</u>	<u>(79,085)</u>	<u>6,720,144</u>



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**13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)**

(b) Family takaful fund (Cont'd.)

(ii) The movements of the family takaful certificate liabilities are as follows:

	<b>Claims Liabilities RM'000</b>	<b>Actuarial Liabilities RM'000</b>	<b>NAV Attributable to Unit holders RM'000</b>	<b>Gross Liabilities RM'000</b>	<b>Retakaful Assets RM'000</b>	<b>Net Liabilities RM'000</b>
<b>2016</b>						
At 1 January	121,506	5,987,224	26,351	6,135,081	(36,129)	6,098,952
Net earned contribution	-	-	10,421	10,421	(52,658)	(42,237)
Other revenue	-	-	1,799	1,799	-	1,799
Experience/benefit variation	2,805	-	-	2,805	28,064	30,869
Claims intimated during the year	754,737	(754,737)	-	-	532	532
Claims paid during the year	(727,045)	-	(7,533)	(734,578)	24,595	(709,983)
Other expenses	-	-	(352)	(352)	-	(352)
Taxation	-	-	(103)	(103)	-	(103)
Increase in certificate reserves	-	925,966	-	925,966	(14,079)	911,887
At 31 December	<u>152,003</u>	<u>6,158,453</u>	<u>30,583</u>	<u>6,341,039</u>	<u>(49,675)</u>	<u>6,291,364</u>

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**14. SUBORDINATED OBLIGATION**

**Shareholder's fund/Company**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 2 Capital Subordinated Sukuk	300,000	300,000
Profit payable on subordinated obligations	1,189	1,189

Tier 2 Capital Subordinated Sukuk

Issue 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.
Optional Redemption	: The Company may, subject to the prior consent of BNM, redeem the Sukuk, in whole or in part, on 30 May 2019 (first call date) and each semi-annual profit payment date thereafter at the principal amount together with expected return less periodic distribution made.

The fair value of the subordinated obligations are RM 300,684,000 (2016: 299,868,000) and is determined by reference to indicative ask-prices obtained from Bondweb provided by BPAM. The fair values of subordinated obligations are categorised under Level 2 of their fair value hierarchy as the valuations were mainly based on market observable inputs.

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**15. EXPENSE LIABILITIES**

	<b>2017</b>	<b>2016</b>	
	<b>RM'000</b>	<b>RM'000</b>	
<b>Shareholder's fund/Company</b>			
UWF of general takaful fund	137,916	135,813	
UER of family takaful fund	379,794	390,775	
	<u>517,710</u>	<u>526,588</u>	
	<b>*** General</b>	<b>Family</b>	
	<b>takaful fund</b>	<b>takaful fund</b>	
	<b>RM'000</b>	<b>RM'000</b>	
		<b>Total</b>	
		<b>RM'000</b>	
<b>2017</b>			
At 1 January	135,813	390,775	526,588
Wakalah fee received during the year (Note 21)	370,071	-	370,071
Wakalah fee earned during the year	(367,968)	-	(367,968)
Movement in UWF (Note 30)	2,103	-	2,103
Movement in UER (Note 30)	-	(10,981)	(10,981)
At 31 December	<u>137,916</u>	<u>379,794</u>	<u>517,710</u>
<b>2016</b>			
At 1 January	116,199	354,332	470,531
Wakalah fee received during the year (Note 21)	351,836	-	351,836
Wakalah fee earned during the year	(332,222)	-	(332,222)
Movement in UWF (Note 30)	19,614	-	19,614
Movement in UER (Note 30)	-	36,443	36,443
At 31 December	<u>135,813</u>	<u>390,775</u>	<u>526,588</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

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**16. DEFERRED TAXATION**

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
At 1 January	7,492	6,786	(514)	6,978
Recognised in :				
Profit or loss (Note 32)	495	-	-	495
Other comprehensive income/ participants' fund	232	(2,311)	2,513	2,745
Tax borne by participants (Note 32)	-	594	1,876	1,876
At 31 December	<u>8,219</u>	<u>5,069</u>	<u>3,875</u>	<u>12,094</u>

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>				
At 1 January	12,719	5,835	5,274	23,828
Recognised in :				
Profit or loss (Note 32)	(2,049)	-	-	(2,049)
Other comprehensive income/ participants' fund	(3,178)	(3,365)	921	(5,622)
Tax borne by participants (Note 32)	-	4,316	(6,709)	(2,393)
At 31 December	<u>7,492</u>	<u>6,786</u>	<u>(514)</u>	<u>13,764</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

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**16. DEFERRED TAXATION (CONT'D.)**

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 statement of financial position is presented on a net basis after offsetting as follows:

<b>Shareholder's fund</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	9,489	8,661
Deferred tax liabilities	(1,270)	(1,169)
	<u>8,219</u>	<u>7,492</u>

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

**(i) Deferred tax assets**

	<b>Impairment on AFS financial assets RM'000</b>	<b>Net amortisation of premiums on investments RM'000</b>	<b>AFS reserves RM'000</b>	<b>Impairment on financial receivables RM'000</b>	<b>Total RM'000</b>
<b>2017</b>					
At 1 January	115	2,016	6,342	188	8,661
Recognised in:					
Profit or loss	497	(246)	-	345	596
Other comprehensive income	-	-	232	-	232
At 31 December	<u>612</u>	<u>1,770</u>	<u>6,574</u>	<u>533</u>	<u>9,489</u>

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**16. DEFERRED TAXATION (CONT'D.)**

**(i) Deferred tax assets (cont'd)**

	Impairment on AFS financial assets RM'000	Net amortisation of premiums on investments RM'000	AFS reserves RM'000	Impairment on financial receivables RM'000	Total RM'000
<b>2016</b>					
At 1 January	2,336	1,780	9,520	196	13,832
Recognised in:					
Profit or loss	(2,221)	236	-	(8)	(1,993)
Other comprehensive income	-	-	(3,178)	-	(3,178)
At 31 December	<u>115</u>	<u>2,016</u>	<u>6,342</u>	<u>188</u>	<u>8,661</u>

**(ii) Deferred tax liabilities**

	Accelerated capital allowances RM'000
<b>2017</b>	
At 1 January	(1,169)
Recognised in:	
Profit or loss	(101)
Other comprehensive income	-
At 31 December	<u>(1,270)</u>
<b>2016</b>	
At 1 January	(1,113)
Recognised in:	
Profit or loss	(56)
Other comprehensive income	-
At 31 December	<u>(1,169)</u>

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**16. DEFERRED TAXATION (CONT'D.)**

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 net deferred tax assets shown in the statement of financial position has been determined after appropriate offsetting as follows:

**\*\*\* General takaful fund**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	5,892	7,987
Deferred tax liabilities	(823)	(1,201)
	<u>5,069</u>	<u>6,786</u>

The components and movements of deferred tax assets/(liabilities) of the general takaful fund during the financial year prior to offsetting are as follows:

**(i) Deferred tax assets**

	<b>Net accretion of discounts on investments</b>	<b>AFS reserves</b>	<b>Impairment on AFS financial assets</b>	<b>Takaful certificate liabilities</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2017</b>					
At 1 January	722	6,339	887	39	7,987
Recognised in:					
Profit or loss	230	-	-	(14)	216
Participants' fund	-	(2,311)	-	-	(2,311)
At 31 December	<u>952</u>	<u>4,028</u>	<u>887</u>	<u>25</u>	<u>5,892</u>

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**16. DEFERRED TAXATION (CONT'D.)**

**(i) Deferred tax assets (Cont'd.)**

	Net accretion of discounts on investments RM'000	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Takaful certificate liabilities RM'000	Total RM'000
<b>2016</b>					
At 1 January	(169)	9,704	875	(103)	10,307
Recognised in:					
Profit or loss	891	-	12	142	1,045
Participants' fund	-	(3,365)	-	-	(3,365)
At 31 December	<u>722</u>	<u>6,339</u>	<u>887</u>	<u>39</u>	<u>7,987</u>

\*\*\* The assets and liabilities are considered as discontinued operations as disclosed in page 33.

**(ii) Deferred tax liabilities**

	Impairment on takaful receivables RM'000	Impairment on takaful receivables RM'000	Total RM'000
<b>2017</b>			
At 1 January	-	(1,201)	(1,201)
Recognised in:			
Profit or loss	-	378	378
At 31 December	<u>-</u>	<u>(823)</u>	<u>(823)</u>
<b>2016</b>			
At 1 January	(93)	(4,379)	(4,472)
Recognised in:			
Profit or loss	93	3,178	3,271
At 31 December	<u>-</u>	<u>(1,201)</u>	<u>(1,201)</u>



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**16. DEFERRED TAXATION (CONT'D.)**

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 net deferred tax assets shown in the statement of financial position has been determined after appropriate offsetting as follows:

**Family takaful fund**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	4,883	806
Deferred tax liabilities	<u>(1,008)</u>	<u>(1,320)</u>
	<u>3,875</u>	<u>(514)</u>

The components and movements of deferred tax assets/(liabilities) of the family's takaful fund during the financial year prior to offsetting are as follows:

**(i) Deferred tax assets**

	<b>Impairment on AFS financial assets RM'000</b>	<b>AFS reserves RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>Total RM'000</b>
<b>2017</b>				
At 1 January	806	(432)	(23)	351
Recognised in:				
Profit or loss	888	-	1,131	2,019
Participants' fund	-	2,513	-	2,513
At 31 December	<u>1,694</u>	<u>2,081</u>	<u>1,108</u>	<u>4,883</u>
<b>2016</b>				
At 1 January	2,251	-	-	2,251
Recognised in:				
Profit or loss	(1,445)	-	-	(1,445)
Participants' fund	-	-	-	-
At 31 December	<u>806</u>	<u>-</u>	<u>-</u>	<u>806</u>

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**16. DEFERRED TAXATION (CONT'D.)**

**(ii) Deferred tax liabilities**

	<b>AFS reserves RM'000</b>	<b>Accretion of discounts on investments RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>Total RM'000</b>
<b>2017</b>				
At 1 January	-	(865)	-	(865)
Recognised in:				
Profit or loss	-	(143)	-	(143)
Participants' fund	-	-	-	-
At 31 December	<u>-</u>	<u>(1,008)</u>	<u>-</u>	<u>(1,008)</u>
<b>2016</b>				
At 1 January	(1,353)	622	3,754	3,023
Recognised in:				
Profit or loss	-	(1,487)	(3,777)	(5,264)
Participants' fund	921	-	-	921
At 31 December	<u>(432)</u>	<u>(865)</u>	<u>(23)</u>	<u>(1,320)</u>

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**17. TAKAFUL PAYABLES**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Amounts due to agents and brokers	9,493	24,082	23,113	32,606
Amounts due to retakaful operators	-	58,383	22,107	22,107
	<u>9,493</u>	<u>82,465</u>	<u>45,220</u>	<u>54,713</u>
<b>2016</b>				
Amounts due to agents and brokers	7,762	25,356	21,390	54,508
Amounts due to retakaful operators	-	36,420	16,823	-
	<u>7,762</u>	<u>61,776</u>	<u>38,213</u>	<u>107,751</u>

Amounts due from agents / brokers, co-takaful business, retakaful and cedants that have been offset against amount due to the same are as follows:

	Gross carrying amount RM'000	Gross amount recognised offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
<b>2017</b>			
<b>(a) *** General takaful fund</b>			
Due contributions including agents/ brokers and co-takaful balances	27,086	(3,004)	24,082
Due from retakaful operators	60,634	(2,251)	58,383
	<u>87,720</u>	<u>(5,255)</u>	<u>82,465</u>

\*\*\* The assets and liabilities are considered as discontinued operations as disclosed in page 33.

\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

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**17. TAKAFUL PAYABLES (CONT'D.)**

Amounts due to reinsurers and cedants that have been offset against amount due to the same are as follows:

	<b>Gross carrying amount RM'000</b>	<b>Gross amount recognised in insurance payables offset in Statement of Financial Position RM'000</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
<b>2017</b>			
<b>(b) Family takaful fund</b>			
Due contributions including agents/ brokers and co-takaful balances	23,113	-	23,113
Due from retakaful operators	55,576	(33,469)	22,107
	<u>78,689</u>	<u>(33,469)</u>	<u>45,220</u>
<b>2016</b>			
<b>(a) *** General takaful fund</b>			
Due contributions including agents/ brokers and co-takaful balances	30,446	(5,090)	25,356
Due from retakaful operators	41,388	(4,968)	36,420
	<u>71,834</u>	<u>(10,058)</u>	<u>61,776</u>
<b>(b) Family takaful fund</b>			
Due contributions including agents/ brokers and co-takaful balances	21,390	-	21,390
Due from retakaful operators	40,305	(23,482)	16,823
	<u>61,695</u>	<u>(23,482)</u>	<u>38,213</u>

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

Included in due contributions including agents, brokers and co-takaful balances are balances due to related parties amounting to RM 979,195 (2016: RM859,201) as disclosed in Note 39. The amounts payable are subject to settlement terms stipulated in the takaful contracts.

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

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**18. OTHER PAYABLES**

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
Contribution deposits	324	-	61,086	61,410
Amounts due to:				
Shareholder's fund*	-	113,438	105,948	-
Family takaful fund*	-	1,563	-	-
Amount due to stockbrokers	15,467	8,927	22,167	37,634
Unclaimed monies	120	40,615	61,567	61,687
Service tax payable	-	-	-	-
Mudharabah payable	-	169,242	16,715	16,715
Withholding tax payable	-	-	37,301	37,301
Amount due to ultimate holding company*	9,268	96	616	9,884
Amount due to holding company*	1,091	-	-	1,091
Amount due to related parties*	2,913	-	-	2,913
Goods and service tax payable	-	6,355	434	434
Zakat payable	3,788	-	-	3,788
Provisions for expenses	25,621	-	-	25,621
Sundry payables and accrued liabilities	71,661	5,594	42,102	113,763
	<u>130,253</u>	<u>345,830</u>	<u>347,936</u>	<u>372,241</u>

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**18. OTHER PAYABLES (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2016</b>				
Contribution deposits	100	1,638	69,311	71,049
Amounts due to:				
Shareholder's fund*	-	132,194	129,539	-
Family takaful fund*	-	6,365	-	-
Amount due to stockbrokers	35,578	100	19,888	55,566
Unclaimed monies	181	51,507	43,693	95,381
Service tax payable	-	25	-	25
Mudharabah payable	-	185,640	16,907	202,547
Withholding tax payable	-	-	26,997	26,997
Amount due to ultimate holding company*	11,282	24	169	11,475
Amount due to holding company*	1,860	-	-	1,860
Amount due to related parties*	4,561	-	-	4,561
Goods and service tax payable	-	7,642	397	8,039
Zakat payable	3,866	-	-	3,866
Provisions for expenses	21,977	-	-	21,977
Sundry payables and accrued liabilities	56,534	1,600	34,223	92,357
	<u>135,939</u>	<u>386,735</u>	<u>341,124</u>	<u>595,700</u>

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

\* Amounts due to related companies and the shareholder's and general takaful funds in the respective funds are non trade in nature, unsecured, not subject to any profit elements and are repayable upon demand.

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.*

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**19. OPERATING REVENUE**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Wakalah fees (Note 21)	664,194	-	-	370,071
Investment income (Note 22)	115,815	72,331	435,803	551,618
Gross contributions (Note 20)	-	1,218,365	1,345,132	1,345,132
	<u>780,009</u>	<u>1,290,696</u>	<u>1,780,935</u>	<u>2,266,821</u>
<b>2016</b>				
Wakalah fees (Note 21)	611,842	-	-	351,836
Investment income (Note 22)	98,208	68,919	397,581	495,789
Gross contributions (Note 20)	-	1,181,642	1,184,225	1,184,225
	<u>710,050</u>	<u>1,250,561</u>	<u>1,581,806</u>	<u>2,031,850</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

**20. NET EARNED CONTRIBUTION**

	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>			
(a) Gross contribution	1,218,365	1,345,132	1,345,132
Change in unearned contribution reserves	7,067	-	-
	<u>1,225,432</u>	<u>1,345,132</u>	<u>1,345,132</u>

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**20. NET EARNED CONTRIBUTION (CONT'D.)**

	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017 (Cont'd.)</b>			
(b) Contributions ceded to retakaful operators	(141,534)	(63,031)	(63,031)
Change in unearned contribution reserves	18,417	-	-
	<u>(123,117)</u>	<u>(63,031)</u>	<u>(63,031)</u>
Net earned contributions	<u>1,102,315</u>	<u>1,282,101</u>	<u>1,282,101</u>
<b>2016</b>			
(a) Gross contribution	1,181,642	1,184,225	1,184,225
Change in unearned contribution reserves	(1,547)	-	-
	<u>1,180,095</u>	<u>1,184,225</u>	<u>1,184,225</u>
(b) Contributions ceded to retakaful operators	(103,743)	(52,658)	(52,658)
Change in unearned contribution reserves	8,838	-	-
	<u>(94,905)</u>	<u>(52,658)</u>	<u>(52,658)</u>
Net earned contributions	<u>1,085,190</u>	<u>1,131,567</u>	<u>1,131,567</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*



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**21. FEE AND COMMISSION INCOME**

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
Wakalah fee income from:				
General takaful fund	370,071	-	-	-
Family takaful fund	294,123	-	-	-
Profit commission	-	-	7,103	7,103
Retakaful commission income	-	19,132	-	-
Others	-	470	2,803	2,803
	<u>664,194</u>	<u>19,602</u>	<u>9,906</u>	<u>9,906</u>
<b>2016</b>				
Wakalah fee income from:				
General takaful fund	351,836	-	-	-
Family takaful fund	260,006	-	-	-
Profit commission	-	-	2,337	2,337
Retakaful commission income	-	15,479	-	-
Others	-	421	2,357	2,357
	<u>611,842</u>	<u>15,900</u>	<u>4,694</u>	<u>4,694</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**22. INVESTMENT INCOME**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
<b>AFS financial assets:</b>				
Profit income	108,983	64,844	131,265	240,248
Dividend/distribution income:				
Quoted equity securities in Malaysia	2,917	291	18,892	21,809
Quoted unit and property trusts funds in Malaysia	78	4	971	1,049
<b>Financial assets at FVTPL:</b>				
<b>- Designated upon initial recognition</b>				
Profit income	-	-	267,820	267,820
<b>- HFT</b>				
Profit income	-	-	819	819
Dividend income:				
Quoted equity securities in Malaysia	-	-	404	404
Quoted unit and property trusts funds outside Malaysia	-	-	-	-
<b>- LAR:</b>				
Profit income	6,085	7,221	26,047	32,132
Profit income from financing receivables	520	-		520
Net amortisation of premiums	(2,172)	255	(9,244)	(11,416)
Other investment income	35	90	1,498	1,533
Investment related expenses	(631)	(374)	(2,669)	(3,300)
	<u>115,815</u>	<u>72,331</u>	<u>435,803</u>	<u>551,618</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**22. INVESTMENT INCOME (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2016</b>				
<b>AFS financial assets:</b>				
Profit income	88,897	59,289	96,882	185,779
Dividend/distribution income:				
Quoted equity securities in Malaysia	1,984	290	17,343	19,327
Quoted unit and property trusts funds in Malaysia	178	14	2,179	2,357
<b>Financial assets at FVTPL:</b>				
<b>- Designated upon initial recognition</b>				
Profit income	-	-	262,233	262,233
<b>- HFT</b>				
Profit income	-	-	720	720
Dividend income:				
Quoted equity securities in Malaysia	-	-	206	206
Quoted unit and property trusts funds outside Malaysia	-	-	1	1
<b>- LAR:</b>				
Profit income	10,471	11,059	30,627	41,098
Profit income from financing receivables	580	-	-	580
Net amortisation of premiums	(3,407)	(1,423)	(10,023)	(13,430)
Other investment income	16	28	135	151
Investment related expenses	(511)	(338)	(2,722)	(3,233)
	<u>98,208</u>	<u>68,919</u>	<u>397,581</u>	<u>495,789</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**23. NET REALISED GAINS**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Net realised gains/(losses):				
<b>AFS financial assets</b>				
Malaysian government papers	1,080	215	-	1,080
Equity securities	17,520	1,721	103,891	121,411
Debt securities	6,045	2,228	5,472	11,517
Unit and property trust funds	323	7	-	323
	<u>24,968</u>	<u>4,171</u>	<u>109,363</u>	<u>134,331</u>
<b>Financial assets at FVTPL</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	-	541	541
Debt securities	-	-	21,242	21,242
	<u>-</u>	<u>-</u>	<u>21,783</u>	<u>21,783</u>
<b>- HFT</b>				
Malaysian government papers	-	-	(9)	(9)
Equity securities	-	-	1,120	1,120
Debt securities	-	-	249	249
	<u>-</u>	<u>-</u>	<u>1,360</u>	<u>1,360</u>
<b>Total net realised gains</b>	<u>24,968</u>	<u>4,171</u>	<u>132,506</u>	<u>157,474</u>

\*\*\* The income and expenditure are considered as discontinued operations as disclosed in page 34.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.

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**23. NET REALISED GAINS (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2016</b>				
Net realised gains/(losses):				
<b>AFS financial assets</b>				
Malaysian government papers	3,926	4,588	1,363	5,289
Equity securities	2,133	1,164	18,563	20,696
Debt securities	10,733	7,672	4,160	14,893
Unit and property trust funds	-	3	-	-
	<u>16,792</u>	<u>13,427</u>	<u>24,086</u>	<u>40,878</u>
<b>Financial assets at FVTPL</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	-	2,816	2,816
Debt securities	-	-	11,390	11,390
	<u>-</u>	<u>-</u>	<u>14,206</u>	<u>14,206</u>
<b>- HFT</b>				
Malaysian government papers	-	-	192	192
Equity securities	-	-	155	155
Debt securities	-	-	472	472
	<u>-</u>	<u>-</u>	<u>819</u>	<u>819</u>
<b>Total net realised gains</b>	<u>16,792</u>	<u>13,427</u>	<u>39,111</u>	<u>55,903</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**24. NET FAIR VALUE GAINS/(LOSSES)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
<b>Financial assets at FVTPL:</b>				
- Designated upon initial recognition	-	-	(16,892)	(16,892)
- HFT	-	-	1,938	1,938
	<u>-</u>	<u>-</u>	<u>(14,954)</u>	<u>(14,954)</u>
<b>2016</b>				
<b>Financial assets at FVTPL:</b>				
- Designated upon initial recognition	-	-	48,718	48,718
- HFT	-	(369)	(92)	(92)
	<u>-</u>	<u>(369)</u>	<u>48,626</u>	<u>48,626</u>

**25. OTHER OPERATING (EXPENSES)/INCOME, NET**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
<b>Other income</b>				
Surrender charges	29	-	-	29
Reversal of impairment losses on:				
- Financing receivables	-	-	-	-
- Takaful receivables	-	910	-	-
Processing fee income	46	-	-	46
Gain on foreign exchange:				
- realised	16	1	9	25
Sundry income	1,538	244	3	1,541
	<u>1,629</u>	<u>1,155</u>	<u>12</u>	<u>1,641</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**25. OTHER OPERATING (EXPENSES)/INCOME, NET (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
<b>Other expenses</b>				
Allowance for impairment losses on:				
- Financing receivables	(1,438)	-	-	(1,438)
- Investments	(3,177)	(253)	(26,294)	(29,471)
- Takaful receivables	-	-	(212)	(212)
- Retakaful assets	-	(4)	-	-
- Other receivables	(1,080)	-	-	(1,080)
Loss on foreign exchange:				
- realised	(38)	-	-	(38)
- unrealised	-	-	(53)	(53)
Sundry expenditure	(2,486)	-	-	(2,486)
	<u>(8,219)</u>	<u>(257)</u>	<u>(26,559)</u>	<u>(34,778)</u>
	<u>(6,590)</u>	<u>898</u>	<u>(26,547)</u>	<u>(33,137)</u>

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2016</b>				
<b>Other income</b>				
Surrender charges	28	-	-	28
Reversal of impairment losses on:				
- Financing receivables	3	-	1	4
- Takaful receivables	-	8,153	1,131	1,131
- Retakaful assets	-	2,540	-	-
- Other receivables	57	32	-	57
Processing fee income	35	-	-	35
Gain on foreign exchange:				
- realised	4	-	5	9
- unrealised	-	-	6	6
Sundry income	916	2,929	5	921
	<u>1,043</u>	<u>13,654</u>	<u>1,148</u>	<u>2,191</u>

\*\*\* The income and expenditure are considered as discontinued operations as disclosed in page 34.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.

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**25. OTHER OPERATING (EXPENSES)/INCOME, NET (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2016</b>				
<b>Other expenses</b>				
Allowance for impairment losses on:				
- Investments	(1,427)	(236)	(16,415)	(17,842)
Loss on foreign exchange:				
- realised	-	(10)	-	-
- unrealised	-	-	-	-
Sundry expenditure	(15)	(179)	-	(15)
	<u>(1,442)</u>	<u>(425)</u>	<u>(16,415)</u>	<u>(17,857)</u>
	<u>(399)</u>	<u>13,229</u>	<u>(15,267)</u>	<u>(15,666)</u>

**26. NET BENEFITS AND CLAIMS**

	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>			
Gross benefits and claims paid	(768,080)	(763,280)	(763,280)
Claims ceded to retakaful	94,916	35,228	35,228
Gross change in certificate liabilities	45,557	(458,644)	(698,957)
Change in certificate liabilities ceded to retakaful	1,582	29,410	29,410
	<u>(626,025)</u>	<u>(1,157,286)</u>	<u>(1,397,599)</u>
<b>2016</b>			
Gross benefits and claims paid	(610,410)	(734,578)	(734,578)
Claims ceded to retakaful	29,524	24,595	24,595
Gross change in certificate liabilities	(52,274)	(203,153)	(536,475)
Change in certificate liabilities ceded to retakaful	29,935	13,546	13,546
	<u>(603,225)</u>	<u>(899,590)</u>	<u>(1,232,912)</u>

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**27. MANAGEMENT EXPENSES**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Employee benefits expenses (Note (a))	148,884	-	20,294	82,568
Directors' remuneration (Note 28)	1,180	-	-	1,180
Shariah Committee remuneration (Note 29)	274	-	-	274
Auditors' remuneration:				
- statutory audits	477	-	109	286
- interim audits	138	-	31	169
- regulatory services	35	-	-	35
- other services	17	-	5	22
Depreciation of property, plant and equipment (Note 3)	293	-	-	80
Amortisation of intangible assets (Note 4)	750	-	-	391
Auto assist service	6,344	-	-	6,344
Assured medical fees	2,699	-	442	3,141
Bank and financing charges	12,930	-	2,030	4,648
Electronic data processing expenses	8,707	-	353	616
Entertainment expenses	333	-	12	155
Goods and services tax	4,243	-	440	2,880
Interest expenses	15	-	-	-
Legal fees	708	-	15	146
Maybank shared services - IT	7,998	-	1,107	9,105
Office facilities expenses	(1,554)	-	(106)	(1,076)
Other management fees	487	-	25	199
Postage and stamp duties	2,903	-	9	883
Printing and stationery	2,618	-	24	1,251
Professional fees	212	-	44	631
Promotional and marketing costs	58,262	-	(1)	35,825
Rental of offices/premises	9,892	-	1,148	6,138
Training expenses	1,868	-	113	1,339
Travelling expenses	1,269	-	48	784
Utilities, assessment and maintenance	1,695	-	108	772
Other expenses	15,212	-	350	1,898
	<u>288,889</u>	<u>-</u>	<u>26,600</u>	<u>160,684</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

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**27. MANAGEMENT EXPENSES (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2016</b>				
Employee benefits expenses (Note (a))	142,171	750	22,196	80,391
Directors' remuneration (Note 28)	1,071	-	-	1,071
Shariah Committee remuneration (Note 29)	222	-	-	222
Auditors' remuneration:				
- statutory audits	381	6	166	248
- regulatory services	24	-	11	35
- other services	15	-	7	22
Depreciation of property, plant and equipment (Note 3)	401	-	-	163
Amortisation of intangible assets (Note 4)	710	-	-	346
Agency related expenses	-	-	-	-
Auto assist service	5,160	-	-	-
Assured medical fees	2,161	-	-	2,161
Bank and financing charges	13,189	1	1,904	4,627
Electronic and data processing expenses	8,485	43	825	5,538
Entertainment expenses	449	3	16	213
Goods and services tax	3,106	17	477	2,417
Interest expenses	402	-	-	-
Legal fees	729	-	22	674
Maybank shared services - IT	8,855	67	1,286	6,021
Office facilities expenses	3,211	19	345	2,222
Other management fees	335	1	17	175
Postage and stamp duties	2,692	-	8	1,363
Printing and stationery	4,320	1	86	1,523
Professional fees	2,053	4	146	819
Promotional and marketing costs	45,751	34	12	22,899
Rental of offices/premises	10,027	49	1,389	6,081
Training expenses	1,463	5	85	980
Travelling expenses	1,441	7	66	877
Utilities, assessment and maintenance	1,444	6	91	683
Other expenses	19,714	18	979	12,156
	<u>279,982</u>	<u>1,031</u>	<u>30,134</u>	<u>153,927</u>

\*\*\* The income and expenditure are considered as discontinued operations as disclosed in page 34.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.

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**27. MANAGEMENT EXPENSES (CONT'D.)**

(a) Employee benefits expenses

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Wages, salaries and bonus	111,356	-	16,071	62,677
EPF	17,647	-	2,326	9,700
SOCSSO	779	-	85	403
Share based compensation	558	-	63	310
Other benefits	18,544	-	1,749	9,478
	<u>148,884</u>	<u>-</u>	<u>20,294</u>	<u>82,568</u>
<b>2016</b>				
Wages, salaries and bonus	102,282	525	16,606	59,099
EPF	16,182	84	2,488	9,051
SOCSSO	674	3	83	355
Share based compensation	1,176	9	152	681
Other benefits	21,857	129	2,867	11,205
	<u>142,171</u>	<u>750</u>	<u>22,196</u>	<u>80,391</u>

- (b) Included in employee benefits expenses is remuneration paid to the Chief Executive Office of the Company amounting to RM286,000 (2016: RM 573,000) detailed as follows:

	2017 RM'000	2016 RM'000
Salaries	220	385
Bonus	-	38
EPF	38	74
Other emoluments	28	76
	<u>286</u>	<u>573</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**28. DIRECTORS' FEES AND REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Shareholder's fund/Company</b>		
Non executive directors:		
Fees	1,086	981
Other emoluments	94	90
	<u>1,180</u>	<u>1,071</u>

The details of the remuneration of the directors of the Company are as follows:

	<b>Salary</b>	<b>Benefits</b>	<b>Other</b>	<b>Total</b>
	<b>RM'000</b>	<b>Fees</b>	<b>Emoluments</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2017</b>				
Non-executive directors:				
Datuk R. Karunakaran	-	158	9	167
Philippe Pol Arthur Latour (Vice Chairman)	-	116	8	124
Loh Lee Soon	-	116	9	125
Frank J.G. Van Kempen	-	129	15	144
Koh Heng Kong	-	129	16	145
Zainal Abidin Jamal	-	131	15	146
Dato' Mohamed Rafique Merican				
Bin Mohd Wahiduddin Merican	-	116	8	124
Dr Ismail Mohd @ Abu Hassan	-	84	6	90
Dato' Majid Mohamad (Chairman)	-	39	3	42
Prof. Dr. Abdul Rahim Abdul Rahman	-	29	2	31
Dato' Johan Ariffin	-	39	3	42
	<u>-</u>	<u>1,086</u>	<u>94</u>	<u>1,180</u>

**2016**

Non-executive directors:				
Datuk R. Karunakaran (Chairman)	-	132	9	141
Philippe Pol Arthur Latour (Vice Chairman)	-	58	5	63
Loh Lee Soon	-	116	10	126
Frank J.G. Van Kempen	-	129	13	142
Koh Heng Kong	-	129	16	145
Zainal Abidin Jamal	-	131	15	146
Dato' Mohamed Rafique Merican				
Bin Mohd Wahiduddin Merican	-	68	6	74
Dr Ismail Mohd @ Abu Hassan	-	116	10	126
Dato' Mohd Salleh Hj Harun	-	26	1	27
Gary Lee Crist	-	57	4	61
Dato' Johan Ariffin	-	19	1	20
	<u>-</u>	<u>981</u>	<u>90</u>	<u>1,071</u>

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**29. SHARIAH COMMITTEE'S REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Shareholder's fund/Company</b>		
Fees	212	168
Other emoluments	62	54
	<u>274</u>	<u>222</u>

The total remuneration of the Shariah Committee of the Company are as follows:

	<b>Fees</b>	<b>Other</b>	<b>Total</b>
	<b>RM'000</b>	<b>Emoluments</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>2017</b>			
Shariah committee:			
Dr. Ahcene Lahsasna	42	11	53
Dr. Ismail Bin Mohd @ Abu Hassan	38	11	49
Dr. Mohammad Deen Bin Mohd Napiah	39	12	51
Dr. Sarip Bin Adul	39	12	51
Dr. Rusni Hassan	27	8	35
Prof. Abdul Rahim Abdul Rahman	27	8	35
	<u>212</u>	<u>62</u>	<u>274</u>
<b>2016</b>			
Shariah committee:			
Dr. Ahcene Lahsasna	34	11	45
Dr. Ismail Bin Mohd @ Abu Hassan	33	10	43
Dr. Mohammad Deen Bin Mohd Napiah	33	11	44
Dr. Sarip Bin Adul	34	11	45
Ahmad Jailani Bin Abdul Ghani	34	11	45
	<u>168</u>	<u>54</u>	<u>222</u>

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**30. CHANGE IN EXPENSE LIABILITIES**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Shareholder's fund/Company **</b>		
Increase in UWF of general takaful fund (Note 15)	2,103	19,614
Increase in UER of family takaful fund (Note 15)	(10,981)	36,443
	<u>(8,878)</u>	<u>56,057</u>

**31. FEE AND COMMISSION EXPENSES**

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
Commission expenses	238,623	-	1,628	131,367
Wakalah fee expense	-	370,071	294,123	-
Others	-	110	-	-
	<u>238,623</u>	<u>370,181</u>	<u>295,751</u>	<u>131,367</u>
<b>2016</b>				
Commission expenses	228,510	-	4,617	128,356
Wakalah fee expense	-	351,836	260,006	-
	<u>228,510</u>	<u>351,836</u>	<u>264,623</u>	<u>128,356</u>

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**32. INCOME TAX EXPENSE**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
<b>Continuing operations :</b>				
Malaysian income tax:				
Tax expense for the year	69,352	-	187	69,352
Overprovision of tax in prior years	(3,579)	-	(8)	(3,579)
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 16)	(495)	-	(1,876)	(495)
	<u>65,278</u>	<u>-</u>	<u>(1,697)</u>	<u>65,278</u>
<b>Discontinued operation :</b>				
Malaysian income tax:				
Tax expense for the year	51,937	-	-	51,937
Overprovision of tax in prior years	(2,609)	-	-	(2,609)
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 16)	-	(594)	-	-
	<u>49,328</u>	<u>(594)</u>	<u>-</u>	<u>49,328</u>
	<u>114,606</u>	<u>(594)</u>	<u>(1,697)</u>	<u>114,606</u>

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**32. INCOME TAX EXPENSE (CONT'D.)**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2016</b>				
<b>Continuing operations :</b>				
Malaysian income tax:				
Tax expense for the year	61,472	-	134	61,472
Overprovision of tax in prior years	(1,400)	-	(15,702)	(1,400)
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 16)	2,049	-	6,709	2,049
	<u>62,121</u>	<u>-</u>	<u>(8,859)</u>	<u>62,121</u>
<b>Discontinued operation :</b>				
Malaysian income tax:				
Tax expense for the year	56,812	-	-	56,812
Overprovision of tax in prior years	(9,360)	(812)	-	(9,360)
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 16)	-	(4,316)	-	-
	<u>47,452</u>	<u>(5,128)</u>	<u>-</u>	<u>47,452</u>
	<u>109,573</u>	<u>(5,128)</u>	<u>(8,859)</u>	<u>109,573</u>

The domestic income tax for shareholder's and general takaful funds are calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

The income tax for family takaful funds are calculated on the statutory rate of 8% (2016: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*



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**32. INCOME TAX EXPENSE (CONT'D.)**

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 Company is as follows:

<b>Company</b>	<b>&lt; ----- 2017 ----- &gt;</b>		
	<b>Continuing operations RM'000</b>	<b>Discontinued operation RM'000</b>	<b>Total RM'000</b>
Profit before taxation	262,476	195,678	458,154
Taxation at Malaysian statutory tax rate of 24%	62,994	46,963	109,957
Income not subject to tax	(59,054)	4,974	(54,080)
Expenses not deductible for tax purposes	65,650	-	65,650
Tax on Qard repayment	-	-	-
Effect of zakat deduction	(733)	-	(733)
Under/(over) provision of tax in prior years	(3,579)	(2,609)	(6,188)
Tax expense for the year	<u>65,278</u>	<u>49,328</u>	<u>114,606</u>
	<b>&lt; ----- 2016 ----- &gt;</b>		
<b>Company</b>	<b>Continuing operations RM'000</b>	<b>Discontinued operation RM'000</b>	<b>Total RM'000</b>
Profit before taxation	164,537	179,354	343,891
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	39,489	43,045	82,534
Income not subject to tax	(65,966)	13,767	(52,199)
Expenses not deductible for tax purposes	82,835	-	82,835
Tax on Qard repayment	8,804	-	8,804
Effect of zakat deduction	(1,641)	-	(1,641)
Under/(over) provision of tax in prior years	(1,400)	(9,360)	(10,760)
Tax expense for the year	<u>62,121</u>	<u>47,452</u>	<u>109,573</u>

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**33. EARNINGS PER SHARE**

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

	<b>2017</b>	<b>2016</b>
Profit attributable to ordinary shareholder (RM '000) :		
- Continuing operations	193,479	96,351
- Discontinued operation	146,350	134,511
	<u>339,829</u>	<u>230,862</u>
Number of ordinary shares in issue ('000)	400,000	400,000
Basic and diluted earnings per share (sen) :		
- Continuing operations	48.4	24.1
- Discontinued operation	36.6	33.6
	<u>85.0</u>	<u>57.7</u>

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the reporting date.

**34. DIVIDENDS**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised during the financial year:</b>		
Interim dividend for the year ended 31 December 2017 :		
- 87.50 sen per share, single-tier tax exempt dividend on 400,000,000	350,000	-
	<u>350,000</u>	<u>-</u>

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**35. OPERATING LEASE COMMITMENTS**

As at the reporting date, the Company and takaful funds lease office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for leases with initial or remaining terms of one year or more are as follows:

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Within 1 year	10,627	11,003
After 1 year but not more than 5 years	38,971	38,924
	<u>49,598</u>	<u>49,927</u>

Rental expenses recognised in income statement during the financial year is disclosed in Note 27.

**36. OTHER COMMITMENTS AND CONTINGENCIES**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Shareholder's fund</b>		
Approved and contracted for:		
Intangible assets	<u>594</u>	<u>-</u>

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**37. SEGMENTAL INFORMATION ON CASH FLOW**

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Net cash flow generated from/(used in):				
Operating activities	368,364	(35,735)	(25,427)	307,202
Investing activities	(1,298)	-	-	(1,298)
Financing activities	(363,560)	-	-	(363,560)
	<u>3,506</u>	<u>(35,735)</u>	<u>(25,427)</u>	<u>(57,656)</u>
Net (decrease)/increase in cash and cash equivalents:				
At 1 January	12,487	69,694	70,846	153,027
At 31 December	<u>15,993</u>	<u>33,959</u>	<u>45,419</u>	<u>95,371</u>
	<u>3,506</u>	<u>(35,735)</u>	<u>(25,427)</u>	<u>(57,656)</u>
<b>2016</b>				
Net cash flow generated from/(used in):				
Operating activities	12,887	18,657	9,668	41,212
Investing activities	(1,129)	-	-	(1,129)
Financing activities	(13,597)	-	-	(13,597)
	<u>(1,839)</u>	<u>18,657</u>	<u>9,668</u>	<u>26,486</u>
Net (decrease)/increase in cash and cash equivalents:				
At 1 January	14,326	51,037	61,178	126,541
At 31 December	<u>12,487</u>	<u>69,694</u>	<u>70,846</u>	<u>153,027</u>
	<u>(1,839)</u>	<u>18,657</u>	<u>9,668</u>	<u>26,486</u>

\*\*\* The assets and liabilities are considered as discontinued operations as disclosed in page 33.

\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

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**38. SHARED BASED COMPENSATION**

The Maybank Group ESS is governed by the by-laws approved by the shareholders of MBB at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and it is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of the Employee Share Option Scheme ("ESOS") and the Restricted Share Unit ("RSU").

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The maximum number of ordinary shares of RM1.00 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme. Other principal features of the ESS are as follows:

- (i) The employees eligible to participate in the ESS must be employed on a full time basis and on the payroll of the Participating Maybank Group and is confirmed in service.

Participating Maybank Group includes MBB and its overseas branches and subsidiaries of which the Group and the Company are included, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.

- (ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of MBB in a general meeting.
- (iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, MBB may terminate the ESS at any time during the duration of the scheme subject to:

- consent of MBB's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and
- written consent of all participants of ESS who have yet to exercise their ESS options, either in part or in whole, and all participants whose RSU Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

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**38. SHARED BASED COMPENSATION (CONT'D.)**

- (iv) The ESS consists of the ESOS, the RSU and the CESS. Personnel of the Company are eligible only for the ESOS and RSU but are not eligible for the CESS.

**(1) ESOS**

Under the ESOS award, MBB may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS options which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares of RM1.00 each in MBB, provided all the conditions including performance-related conditions are duly and fully satisfied.

**(2) RSU**

Under the RSU award, MBB may from time to time within the offer period, invite selected participants to enter into an agreement with MBB, whereupon MBB shall agree to award the scheme shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) year cliff vesting schedule or a two (2) year cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

- (v) Key features of the ESOS award are as follows:

- On 23 June 2011, MBB granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met the average performance target ("ESOS First Grant"). The first tranche of ESOS under the ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under the ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012. The third tranche of ESOS under the ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013. The fourth tranche of ESOS under the ESOS First Grant amounting to 74,253,400 options have been vested and exercisable as at 30 April 2014. The fifth tranche of ESOS under the ESOS First Grant amounting to 69,854,500 options have been vested and exercisable as at 30 April 2015.

On 10 August 2015, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS First Grant amounting to 34,951,500 options effective 30 September 2015. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the second tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be allotted under the sixth tranche prorated will be based on six months period.

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**38. SHARED BASED COMPENSATION (CONT'D.)**

(v) Key features of the ESOS award are as follows (cont'd.):

In the previous financial year ended 31 December 2016, the Bank vested 5,600 options and 3,000 options for appeal cases for fifth and sixth tranche of ESOS First Grant.

- On 30 April 2012, MBB granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Group ("ESOS Second Grant"). The first tranche of ESOS under ESOS Second Grant amounting to 6,185,800 options have been vested and exercisable as at 7 May 2012. The second tranche of ESOS under ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013. The third tranche of ESOS under ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014. The fourth tranche of ESOS under ESOS Second Grant amounting to 10,808,600 options have been vested and exercisable as at 30 April 2015. MBB also granted options for appeal cases for the first tranche and second tranche of ESOS Second Grant amounting to 1,300 and 3,100 respectively in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS Second Grant amounting to 9,424,800 options have been vested and exercisable as at 3 May 2016.
- On 25 April 2016, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS Second Grant amounting to 4,687,000 options effective 30 September 2016. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the first tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be allotted under the sixth tranche prorated will be based on six months period.
- On 29 April 2017, the first tranche of ESOS under ESOS Second Grant amounting to 484,700 options have expired.
- On 30 April 2013, MBB granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Group ("ESOS Third Grant"). The first tranche of ESOS under ESOS Third Grant amounting to 9,199,800 options have been vested and exercisable as at 21 May 2013. The second tranche of ESOS under ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014. The third tranche of ESOS under ESOS Third Grant amounting to 9,197,600 options have been vested and exercisable as at 30 April 2015. The fourth tranche of ESOS under ESOS Third Grant amounting to 7,806,200 options have been vested and granted as at 3 May 2016. The fifth tranche of ESOS under ESOS Third Grant amounting 7,382,200 options have been vested and granted as at 2 May 2017.

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**38. SHARED BASED COMPENSATION (CONT'D.)**

- (v) Key features of the ESOS award are as follows (cont'd.):

During the financial year ended 31 December 2017, MBB vested 55,000 options for appeal cases for fourth tranche of ESOS Third Grant.

- On 30 April 2014, MBB granted five (5) tranches of ESOS amounting to 54,027,800 options to confirmed new recruits in the Maybank Group ("ESOS Fourth Grant"). The first tranche of ESOS under ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014. The second tranche of ESOS under ESOS Fourth Grant amounting to 10,591,900 options have been vested and exercisable as at 30 April 2015. MBB also granted 100,000 options relates to change of staff grade and 100 options for appeal cases for the first tranche of ESOS Fourth Grant in the previous financial year ended 31 December 2015. The third tranche of ESOS under ESOS Fourth Grant amounting to 9,018,700 options have been vested and exercisable as at 3 May 2016, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

On 30 April 2015, MBB granted four (4) tranches of ESOS amounting to 48,170,100 options to confirmed new recruits in the Maybank Group ("ESOS Fifth Grant"). The first tranche of ESOS under ESOS Fifth Grant amounting to 11,439,300 options have been vested and exercisable as at 21 May 2015. The second tranche of ESOS under ESOS Fifth Grant amounting to 11,250,300 options have been vested and exercisable as at 3 May 2016 . The fourth tranche of ESOS under ESOS Fourth Grant amounting to 8,531,100 options have been vested and exercisable as at 2 May 2017, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period. During the financial year ended 31 December 2017, MBB vested 10,000 options for appeal cases for second tranche of ESOS Fifth Grant.

On 30 September 2015, MBB granted three (3) tranches of ESOS amounting to 992,400 options to confirmed new recruits in the Maybank Group ("ESOS Special Grant"). The first tranche of ESOS under ESOS Special Grant amounting to 309,400 options have been vested and exercisable as at 21 October 2015. The second tranche of ESOS under ESOS Special Grant amounting to 215,500 options have been vested and exercisable as at 3 May 2016. The third tranche of ESOS under ESOS Special Grant amounting to 108,200 options have been vested and exercisable as at 2 May 2017.



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**38. SHARED BASED COMPENSATION (CONT'D.)**

(v) Key features of the ESOS award are as follows (cont'd.):

- The new ordinary shares in MBB will be allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in MBB, except that the new ordinary shares to be issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of MBB relating to transfer, transmission and otherwise.
- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.
- In the implementation of ESS, MBB has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purpose of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from MBB.

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon the fulfilment of predetermined vesting conditions including service period, performance targets and performance period.
- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date.
- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU Grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a two (2) to three (3) years cliff vesting schedule.

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES**

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

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

The Company has related party relationships with its shareholders, 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 Company with related parties during the financial year were as follows:

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>Income/(expenses):</b>				
<b>2017</b>				
Ultimate holding company:				
Gross takaful contribution income	-	-	6,447	6,447
Commission and fee expenses	(62,998)	(348)	(2,380)	(65,378)
Claims paid	-	-	(7,111)	(7,111)
Holding company:				
Gross takaful contribution income	-	252	20	20
Shared service costs	(8,375)	-	-	(8,375)
Dividend paid	(350,000)	-	-	(350,000)

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

- (i) Significant transactions of the Company with related parties during the financial year were as follows (cont'd.):

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>Income/(expenses)(cont'd.):</b>				
<b>2017</b>				
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution income	-	-	509	509
Rental expense	(8,198)	-	(1,144)	(9,342)
Shared service costs	(69,132)	-	-	(69,132)
Claims paid	-	-	(178)	(178)
Other related companies within the MBB Group:				
Profit income on deposits	2,142	3,114	10,661	12,803
Gross takaful contribution income	-	1,923	1,963	1,963
Maybank shared service IT expenses	(7,883)	-	(1,107)	(8,990)
Commission and fee expenses	(14)	(5)	(349)	(363)
Other expenses	(51)	-	-	(51)
Claims paid	-	-	(144)	(144)
Other expenses	-	-	-	-
Shareholders of MAHB:				
Other income	589	-	-	589
Reimbursement of expenses	(892)	-	-	(892)

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

- (i) Significant transactions of the Company with related parties during the financial year were as follows (cont'd.):

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>Income/(expenses)(cont'd.):</b>				
<b>2017</b>				
Companies related to a company with significant influence over the MBB Group:				
Gross takaful contribution income	-	6,504	4,766	4,766
Claims paid	-	(261)	(4,005)	(4,005)
Profit on subordinated obligation	(3,616)	-	-	(3,616)
<b>2016</b>				
Ultimate holding company:				
Gross takaful contribution income	-	-	6,394	6,394
Commission and fee expenses	(63,567)	(308)	(2,202)	(65,769)
Claims paid	-	-	(4,130)	(4,130)
Holding company:				
Gross takaful contribution income	-	-	4	4
Shared service costs	(4,846)	-	-	(4,846)
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution income	-	-	597	597
Rental expense	(8,278)	(47)	(1,336)	(9,614)
Shared service costs	(55,813)	-	-	(55,813)
Claims paid	-	-	(17)	(17)

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

- (i) Significant transactions of the Company with related parties during the financial year were as follows (cont'd.):

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>Income/(expenses)(cont'd.):</b>				
<b>2016</b>				
Other related companies within the MBB Group:				
Profit income on deposits	2,955	5,549	13,106	16,061
Gross takaful contribution income	-	1,465	2,021	2,021
Maybank shared service IT expenses	(8,855)	(67)	(1,286)	(10,141)
Commission and fee expenses	(47)	(11)	(702)	(749)
Other expenses	(54)	-	-	(54)
Claims paid	-	-	(282)	(282)
Shareholders of MAHB:				
Reimbursement of expenses	(2,216)	-	-	(2,216)
Other expenses	(662)	-	-	(662)
Companies related to a company with significant influence over the MBB Group:				
Gross takaful contribution income	-	6,858	3,657	3,657
Claims paid	-	(523)	(2,681)	(2,681)
Profit on subordinated obligation	(3,626)	-	-	(3,626)

\*\*\* *The income and expenditure are considered as discontinued operations as disclosed in page 34.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

- (ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following:

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2017</b>				
Ultimate holding company:				
Bank balances	15,929	32,352	34,276	50,205
Takaful receivables	-	-	207	207
Takaful payables	-	(2)	-	-
Other receivables	2,229	-	-	2,229
Other payables	<u>(9,714)</u>	<u>(96)</u>	<u>(616)</u>	<u>(10,330)</u>
Holding company:				
Other payables	<u>(1,091)</u>	<u>-</u>	<u>-</u>	<u>(1,091)</u>
Fellow subsidiaries within the MAHB Group:				
Takaful receivables	-	-	-	-
Takaful payables	-	-	(2)	(2)
Other receivables	5,045	-	-	5,045
Other payables	<u>(10,549)</u>	<u>-</u>	<u>-</u>	<u>(10,549)</u>

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

(ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (cont'd.):

	Shareholder's fund RM'000	*** General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>2017</b>				
Other related companies within the MBB Group:				
Income and profit due and accrued	71	48	518	589
Islamic investment accounts	48,120	100,001	372,133	420,253
Islamic debt securities	-	-	-	-
Structured products	-	-	-	-
Takaful receivables	-	82	229	229
Takaful payables	-	(2)	(5)	(5)
Other receivables	3,102	-	-	3,102
Other payables	(65)	-	-	(65)
<hr/>				
Companies related to a company with significant influence over the MBB Group:				
Takaful receivables	-	35	(27)	(27)
Takaful payables	-	(922)	-	-
Subordinated obligation	(80,317)	-	-	(80,317)
<hr/>				

\*\*\* *The assets and liabilities are considered as discontinued operations as disclosed in page 33.*

\*\* *Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.*

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

(ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (cont'd.):

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2016</b>				
Ultimate holding company:				
Bank balances	12,427	55,367	50,324	62,751
Takaful payables	-	(15)	(241)	(241)
Other payables	<u>(10,600)</u>	<u>(24)</u>	<u>(169)</u>	<u>(10,769)</u>
Holding company:				
Other payables	<u>(1,860)</u>	<u>-</u>	<u>-</u>	<u>(1,860)</u>
Fellow subsidiaries within the MAHB Group:				
Takaful receivables	-	-	44	44
Takaful payables	-	-	(2)	(2)
Other receivables	6,051	-	-	6,051
Other payables	<u>(11,739)</u>	<u>-</u>	<u>-</u>	<u>(11,739)</u>
Other related companies within the MBB Group:				
Income and profit due and accrued	351	982	695	1,046
Islamic investment accounts	73,616	252,531	457,201	530,817
Islamic debt securities	-	39,874	19,937	19,937
Takaful receivables	-	70	223	223
Takaful payables	-	-	(4)	(4)
Other receivables	3,452	-	-	3,452
Other payables	<u>(2,624)</u>	<u>-</u>	<u>-</u>	<u>(2,624)</u>



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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

- (ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (cont'd.):

	<b>Shareholder's fund RM'000</b>	<b>*** General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>** Company RM'000</b>
<b>2016 (cont'd)</b>				
Companies related to a company with significant influence over the MBB Group:				
Takaful receivables	-	38	34	34
Takaful payables	-	(585)	(13)	(13)
Subordinated obligation	(80,317)	-	-	(80,317)

- (iii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company comprise the Executive Director, Non-Executive Directors and the Chief Executive Officer.

- (a) The remuneration of key management personnel during the year was as follows:

	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Short-term employee benefits</b>		
Fees	1,086	981
Salaries and bonuses	220	423
EPF	38	74
Other emoluments	122	166
	<u>1,466</u>	<u>1,644</u>

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**39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

(iii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company comprise the Executive Director, Non-Executive Directors and the Chief Executive Officer (cont'd.).

(b) The movement in share options of key management personnel is as follows:

	<b>2017</b>	<b>2016</b>
At 1 January	-	190,000
Granted	-	15,000
Expired	-	(20,000)
Resignation of key management personnel	-	(185,000)
At 31 December	<u>-</u>	<u>-</u>

**40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

The Integrated Risk Management Framework defines 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") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as (the "Group").

Six (6) key building blocks have been set which serve as the foundation for risk management and are executed in accordance with the standards and risk appetite set by the Board.



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**40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

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:

- Established 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

**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 level of risk that they are willing to accept in pursuit of its 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.

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**40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**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 Board, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").



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**40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**Governance and Risk Oversight (Cont'd.)**

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

**Board**

The MAHB Board, together with the EGIB, EFTB and EIPL Board, have the final responsibility for all business activities, including risk management. The Board is the ultimate decision-making body of the Group. The Board have delegated specific matters to sub-Board Committees, such as risk matters to the Risk Management Committee, audit matters to the Audit Committee and investment matters to the Investment Committee.

**Shariah Committee ("SC")**

The role of the SC is to oversee Shariah compliance for Takaful. The SC assists the Board in fulfilling its supervision and monitoring responsibilities in respect of Shariah principles.

**Risk Management Committee ("RMC")**

The roles of the RMC is to assist the Board in fulfilling its supervision and monitoring responsibility in respect of internal control, including monitoring the risk profiles of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board.

**Investment Committee ("IC")**

The role of the IC is to provide an oversight function for investment related activities.

**Audit Committee of the Board ("ACB")**

The role of the ACB is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal and external audit activities.

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**40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**Senior Management Committee ("SMC")**

The responsibility of the SMC is to assure the Board that the components of the Group take appropriate decisions regarding risks and return and to make sure adequate controls exist and are fully operational.

**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 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 for the monitoring and follow-up of audit findings.

**Business Growth Committee ("BGM")**

BGM is a platform for business leaders to discuss business growth development issues.

**Product Development Committee ("PDC")**

The PDC's prime objective is to coordinate and manage the whole process of product development and product management for the specific product line that derived from overall marketing plan of the Group.

**Credit Control Committee ("CCC")**

CCC ensures compliance with all the regulations and guidelines pertaining to collection and outstanding contribution, monitor and control outstanding collections efficiently, minimises bad and doubtful debts by implementing preventive measures, and initiate legal proceeding for recovery of bad and doubtful debts when all other methods fail.

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#### **40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

##### **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 the Company and across industries, a strong risk culture requires constant attention to ensure that material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

##### **Risk Management Practices and Processes**

Risk management practices and processes are a fundamental component of risk principles. It is essential in enabling systematic identification, measurement, control, monitoring and reporting of risk exposures.

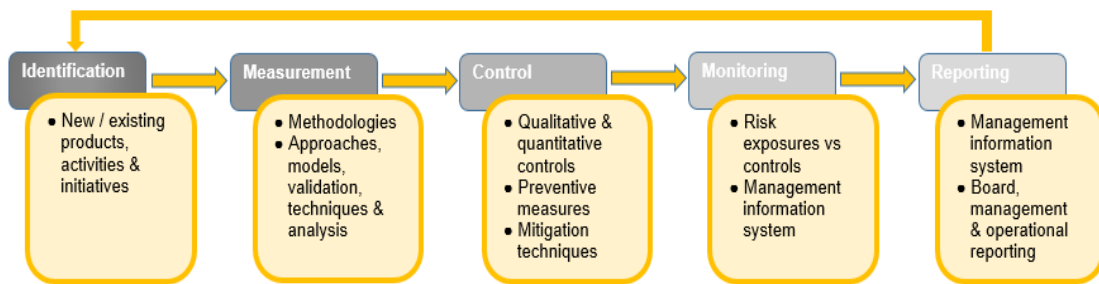
To enable an effective execution of risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group.

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**40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**Risk Management Practices and Processes (Cont'd.)**

There are five (5) main stages of the risk management process which form a continuous cycle as follows:



**Resource and System Infrastructure**

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, infrastructure and support to perform its roles efficiently.

**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 lines in all facets of risk taking activities.



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**40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**System Infrastructure**

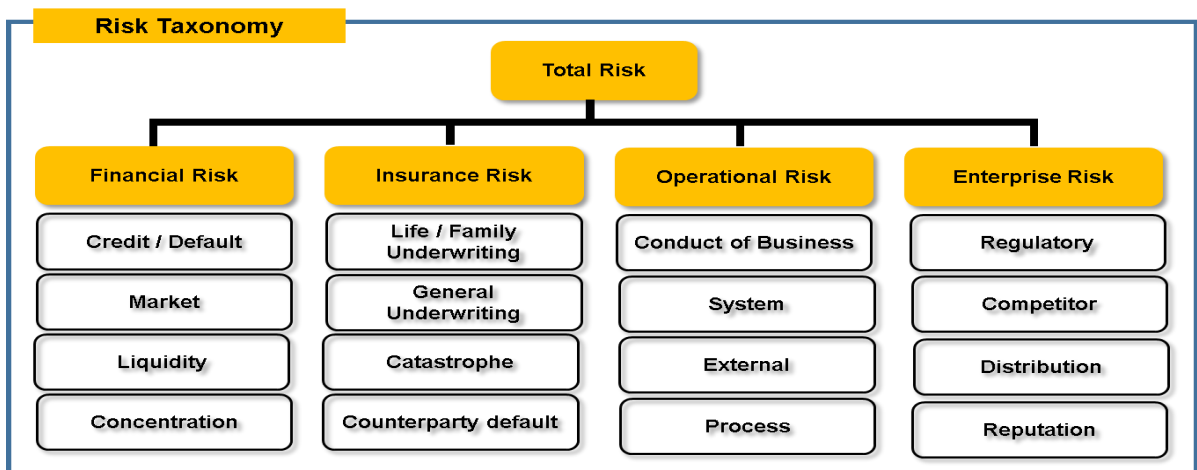
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities 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 TAXONOMY**

The major risk categories are governed by the Risk Taxonomy which consists of Financial, Insurance, Operational, Enterprise Risk and Shariah Risk. Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.



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**41. TAKAFUL RISK**

Takaful risk relates to the inherent risk associated in the underwriting activities of the Family and General Takaful businesses. Such risk includes pricing, reserving, underwriting, catastrophe and retakaful counterparty default. Analyses are performed to ensure that takaful risks are within the company's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Retakaful offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial result and solvency. Risks associated with retakaful operators are the counterparty risk of retakaful operators failing to honour their obligations. The Company monitors the ability of all current and prospective retakaful operators to meet their obligations under exceptional but plausible adverse events on a monthly basis.

The Company has established appropriate policy 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 Company's guidelines and standards.

**(a) Family takaful fund**

The table below shows the concentration of actuarial liabilities by type of contract:

	<b>2017</b>			<b>2016</b>		
	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
Endowment	1,648,101	-	1,648,101	1,569,985	-	1,569,985
Mortgage	3,529,376	(69,640)	3,459,736	3,282,313	(40,319)	3,241,994
Term assurance	23,588	-	23,588	18,763	-	18,763
Annuity	733,998	-	733,998	756,932	-	756,932
Others	594,816	-	594,816	530,460	-	530,460
	<b>6,529,879</b>	<b>(69,640)</b>	<b>6,460,239</b>	<b>6,158,453</b>	<b>(40,319)</b>	<b>6,118,134</b>

All of the Company's family takaful business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Company.

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#### **41. TAKAFUL RISK (CONT'D.)**

##### **(a) Family takaful fund (cont'd.)**

##### **(i) Key assumptions and methodology**

Material judgement is required in determining the liabilities of the Participants' Risk Fund ("PRF"). 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 continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

##### 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.

##### Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company. The Company determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experience.

##### Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business, i.e. the expectation that participants will renew their certificates. These rates are based on the Company's historical experience of lapses and surrenders.

##### 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.

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**41. TAKAFUL RISK (CONT'D.)**

**(a) Family takaful fund (cont'd.)**

**(ii) Sensitivity analyses**

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 according to the current economic assumptions.

	<b>% change in assumptions</b>	<b>Impact on gross liabilities RM'000</b>	<b>Impact on net liabilities** RM'000</b>	<b>Impact on profit before tax RM'000</b>	<b>Impact on equity RM'000</b>
<b>2017</b>					
Discount rate*	-100 bps	310,266	303,619	(36,594)	(36,594)
Mortality and morbidity rates	+10%	303,996	269,876	(45,730)	(45,730)
Lapse and surrender rates	-10%	12,098	13,520	(3,145)	(3,145)
Expenses	+10%	14,896	14,896	(4,104)	(4,104)

\* 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.

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41. TAKAFUL RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(ii) Sensitivity analyses

	% 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
<b>2016</b>					
Discount rate*	-100 bps	287,014	283,281	(44,522)	(44,522)
Mortality and morbidity rates	+10%	277,277	255,462	(46,545)	(46,545)
Lapse and surrender rates	-10%	15,113	15,920	(2,807)	(2,807)
Expenses	+10%	15,793	15,793	(3,420)	(3,420)

\* 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.

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund**

The table below discloses contribution written by type of contract.

	2017			2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	842,203	(5,157)	837,046	875,242	(8,868)	866,374
Fire	165,072	(52,505)	112,567	148,418	(48,252)	100,166
Marine, Aviation, Cargo and Transit	15,688	(12,646)	3,042	18,009	(15,645)	2,364
Miscellaneous	195,402	(71,226)	124,176	139,973	(30,978)	108,995
	<u>1,218,365</u>	<u>(141,534)</u>	<u>1,076,831</u>	<u>1,181,642</u>	<u>(103,743)</u>	<u>1,077,899</u>

**(i) Key assumptions and methods**

The estimation of the claim liabilities of the 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.

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#### **41. TAKAFUL RISK (CONT'D.)**

##### **(b) General takaful fund (cont'd.)**

###### **(i) Key assumptions and methods (cont'd.)**

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 the prior year. Loadings are applied directly to the central estimate of claim liabilities, the central estimate of URR and the UCR, to derive the expense liabilities.

###### **(ii) 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.

Illustrative results of sensitivity testing for the general takaful fund's claim 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 participants' fund.

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(ii) Sensitivity analyses (cont'd.)**

	<b>% change in key assumptions</b>	<b>Impact on gross liabilities RM'000</b>	<b>Impact on net liabilities RM'000</b>	<b>Impact on profit before tax RM'000</b>	<b>Impact on equity RM'000</b>
<b>2017</b>					
Incurring Claims Ratio	+ 5%	61,272	55,116	(55,116)	(41,888)
	- 5%	(61,272)	(55,116)	55,116	41,888
<b>2016</b>					
Incurring Claims Ratio	+ 5%	59,005	54,259	(54,259)	(41,237)
	- 5%	(59,005)	(54,259)	54,259	41,237

**(iii) Claims development table**

The following tables show the 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 Company believes the estimate of total claims liabilities as at the financial year end are adequate. The Company 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.



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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Gross analysis of claims development for 2017:**

Accident year	Before	As at 31 December							
	2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year		437,396	479,285	565,662	589,933	660,739	783,911	724,824	
1 year later		436,220	466,666	554,495	617,750	639,081	816,040		
2 years later		422,091	458,241	564,434	608,081	608,828			
3 years later		435,791	463,180	569,810	601,915				
4 years later		435,672	459,482	575,192					
5 years later		435,987	462,151						
6 years later		436,576							
<b>Estimate of gross cumulative claims to date (A)</b>		436,576	462,151	575,192	601,915	608,828	816,040	724,824	

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Gross analysis of claims development for 2017 (cont'd.):**

Accident year	Before	As at 31 December							
	2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year		131,482	187,973	238,771	231,130	264,533	310,865	345,399	
1 year later		269,769	366,008	405,337	470,575	461,390	578,439		
2 years later		376,785	413,088	463,144	532,800	544,057			
3 years later		391,811	432,662	488,313	557,757				
4 years later		396,008	440,634	500,352					
5 years later		400,990	446,638						
6 years later		423,515							
<b>Gross cumulative claims paid to date (B)</b>		423,515	446,638	500,352	557,757	544,057	578,439	345,399	
Best estimate gross claim liabilities (A) - (B)	9,706	13,061	15,513	74,840	44,158	64,771	237,601	379,425	839,075
PRAD (C)									93,577
Gross takaful claim liabilities as at 31 December 2017 (A) - (B) + (C)									<u>932,652</u>

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Net analysis of claims development for 2017:**

<b>Accident year</b>	<b>Before</b>	<b>As at 31 December</b>							
	<b>2011</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At the end of accident year		325,123	456,465	506,657	532,858	630,670	708,666	699,503	
1 year later		336,639	447,504	477,414	506,414	610,264	664,057		
2 years later		332,456	441,755	486,131	496,700	586,008			
3 years later		338,513	446,237	488,639	490,130				
4 years later		340,270	442,678	492,758					
5 years later		336,354	444,549						
6 years later		337,196							
<b>Estimate of net cumulative claims to date (A)</b>		<b>337,196</b>	<b>444,549</b>	<b>492,758</b>	<b>490,130</b>	<b>586,008</b>	<b>664,057</b>	<b>699,503</b>	

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Net analysis of claims development for 2017 (cont'd.):**

Accident year	Before	As at 31 December							
	2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year		130,642	186,608	235,297	227,238	259,797	307,415	340,963	
1 year later		266,182	356,576	383,436	386,400	449,210	521,479		
2 years later		307,058	399,389	433,014	435,687	525,894			
3 years later		321,595	417,899	456,352	458,229				
4 years later		325,611	425,427	466,121					
5 years later		327,836	430,113						
6 years later		330,381							
<b>Net cumulative claims paid to date (B)</b>		330,381	430,113	466,121	458,229	525,894	521,479	340,963	
Best estimate net claim liabilities (A) - (B)	5,856	6,815	14,436	26,637	31,901	60,114	142,578	358,540	646,877
PRAD (C)									68,679
Net takaful claim liabilities as at 31 December 2017 (A) - (B) + (C)									<u>715,556</u>

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Gross analysis of claims development for 2016:**

Accident year	Before	As at 31 December							
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year		394,600	437,396	479,285	565,662	589,933	660,739	783,911	
1 year later		258,963	436,220	466,666	554,496	617,750	639,081		
2 years later		260,490	422,091	458,241	564,434	608,081			
3 years later		259,613	435,791	463,180	569,810				
4 years later		260,780	435,672	459,482					
5 years later		261,143	435,987						
6 years later		254,522							
<b>Estimate of gross cumulative claims to date (A)</b>		254,522	435,987	459,482	569,810	608,081	639,081	783,911	

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Gross analysis of claims development for 2016 (cont'd.):**

Accident year	Before	As at 31 December							
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year		94,507	131,482	187,973	238,771	231,130	264,533	310,865	
1 year later		191,698	269,769	366,008	405,337	470,575	461,390		
2 years later		226,315	376,785	413,088	463,144	532,800			
3 years later		242,215	391,811	432,662	488,313				
4 years later		246,636	396,008	440,634					
5 years later		247,668	400,990						
6 years later		248,735							
<b>Gross cumulative claims paid to date (B)</b>		248,735	400,990	440,634	488,313	532,800	461,390	310,865	
Best estimate gross claim liabilities (A) - (B)	8,995	5,787	34,997	18,848	81,497	75,281	177,691	473,046	876,142
PRAD (C)									102,067
Gross takaful claim liabilities as at 31 December 2016 (A) - (B) + (C)									<u>978,209</u>

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Net analysis of claims development for 2016:**

Accident year	Before	As at 31 December							
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year		342,237	325,123	456,465	506,657	532,858	630,670	708,666	
1 year later		227,980	336,639	447,504	477,414	506,414	610,264		
2 years later		227,866	332,456	441,755	486,131	496,700			
3 years later		225,160	338,513	446,237	488,639				
4 years later		225,395	340,270	442,678					
5 years later		226,474	336,354						
6 years later		225,793							
<b>Estimate of net cumulative claims to date (A)</b>		225,793	336,354	442,678	488,639	496,700	610,264	708,666	

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**41. TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund (cont'd.)**

**(iii) Claims development table (cont'd.)**

**Net analysis of claims development for 2016 (cont'd.):**

Accident year	Before	As at 31 December							
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year		91,793	130,642	186,608	235,297	227,238	259,797	307,415	
1 year later		171,337	266,182	356,576	383,436	386,400	449,210		
2 years later		204,893	307,058	399,389	433,014	435,687			
3 years later		216,241	321,595	417,899	456,352				
4 years later		219,629	325,611	425,427					
5 years later		220,626	327,836						
6 years later		221,672							
<b>Net cumulative claims paid to date (B)</b>		221,672	327,836	425,427	456,352	435,687	449,210	307,415	
Best estimate net claim liabilities (A) - (B)	6,068	4,121	8,518	17,251	32,287	61,013	161,054	401,251	691,563
PRAD (C)									71,132
Net takaful claim liabilities as at 31 December 2016 (A) - (B) + (C)									<u>762,695</u>



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**42. FINANCIAL RISKS**

**(i) Credit Risk**

Credit risk refers to 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- 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 Company's exposure to credit risk arises mainly from fixed income investment activities.

The Company 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; and
- (d) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

**Credit exposure**

The table below shows the maximum exposure to credit risk for the components of the statements of financial position 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 agreements. In respect of bifurcated derivatives relating to structured products categorised as AFS financial assets, the bifurcated derivatives are considered together with the host contract for the purposes of financial risk exposures and management.

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure (cont'd.)**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2017</b>				
<b>AFS financial investments:</b>				
Malaysian government papers	226,964	340,197	57,280	284,244
Unquoted debt securities in Malaysia	1,925,830	1,142,232	2,954,330	4,880,160
NICD	-	-	19,719	19,719
<b>Financial investments at FVTPL:</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	-	140,809	140,809
Unquoted debt securities in Malaysia	-	-	4,907,022	4,907,022
NICD	-	-	108,438	108,438
<b>- HFT</b>				
Malaysian government papers	-	-	4,704	4,704
Unquoted debt securities in Malaysia	-	-	18,769	18,769
<b>- LAR:</b>				
Deposits and placements with financial institutions	109,672	202,251	582,977	692,649
Financing receivables	17,197	-	-	17,197
Retakaful assets	-	262,168	79,085	79,085
Takaful receivables	-	100,620	78,672	78,672
Other receivables	273,148	15,897	260,183	427,383
Cash and bank balances	15,993	33,959	45,419	61,412
	<u>2,568,804</u>	<u>2,097,324</u>	<u>9,257,407</u>	<u>11,720,263</u>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure (cont'd.)**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>2016</b>				
<b>AFS financial investments:</b>				
Malaysian government papers	306,503	355,813	48,537	355,040
Unquoted debt securities in Malaysia	1,834,341	1,021,666	1,964,734	3,799,075
NICD	-	-	18,954	18,954
<b>Financial investments at FVTPL:</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	-	179,283	179,283
Unquoted debt securities in Malaysia	-	-	5,393,141	5,393,141
NICD	-	-	104,228	104,228
<b>- HFT</b>				
Malaysian government papers	-	-	7,171	7,171
Unquoted debt securities in Malaysia	-	-	10,692	10,692
<b>- LAR:</b>				
Deposits and placements with financial institutions	139,319	370,083	582,233	721,552
Financing receivables	17,371	-	-	17,371
Retakaful assets	-	242,173	49,675	49,675
Takaful receivables	-	65,101	84,996	84,996
Other receivables	292,193	15,260	100,923	125,018
Cash and bank balances	12,487	69,694	70,846	83,333
	<u>2,602,214</u>	<u>2,139,790</u>	<u>8,615,413</u>	<u>10,949,529</u>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

**Shareholder's fund**

	Neither past-due nor impaired			Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	* B to BBB RM'000	*Not Rated RM'000			
<b>2017</b>						
<b>AFS financial investments:</b>						
Malaysian government papers	-	-	226,964	-	-	226,964
Unquoted debt securities in Malaysia	1,221,676	-	704,154	-	-	1,925,830
Quoted equity securities in Malaysia	-	-	-	-	129,806	129,806
Quoted unit and property trust funds in Malaysia	-	-	-	-	-	-
Investment-linked units	-	-	-	-	25,233	25,233
<b>LAR:</b>						
Deposits and placements with financial institutions	109,672	-	-	-	-	109,672
Financing receivables	-	-	16,464	733	-	17,197
Other receivables	39,140	-	10,605	423	222,980	273,148
Cash and bank balances	15,948	-	45	-	-	15,993
	<b>1,386,436</b>	<b>-</b>	<b>958,232</b>	<b>1,156</b>	<b>378,019</b>	<b>2,723,843</b>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating**

**Shareholder's fund (cont'd.)**

	Neither past-due nor impaired			Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	* B to BBB RM'000	*Not Rated RM'000			
<b>2016</b>						
<b>AFS financial investments:</b>						
Malaysian government papers	-	-	306,503	-	-	306,503
Unquoted debt securities in Malaysia	1,334,753	-	499,588	-	-	1,834,341
Quoted equity securities in Malaysia	-	-	-	-	107,597	107,597
Quoted unit and property trust funds in Malaysia	-	-	-	-	3,965	3,965
Investment-linked units	-	-	-	-	23,373	23,373
<b>LAR:</b>						
Deposits and placements with financial institutions	139,319	-	-	-	-	139,319
Financing receivables	-	-	15,113	2,258	-	17,371
Other receivables	15,634	-	10,432	-	266,127	292,193
Cash and bank balances	12,442	-	45	-	-	12,487
	<b>1,502,148</b>	<b>-</b>	<b>831,681</b>	<b>2,258</b>	<b>401,062</b>	<b>2,737,149</b>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating**

**General takaful fund**

	Neither past-due nor impaired			Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	* B to BBB RM'000	*Not Rated RM'000			
<b>2017</b>						
<b>AFS financial investments:</b>						
Malaysian government papers	-	-	340,197	-	-	340,197
Unquoted debt securities in Malaysia	1,108,286	-	33,946	-	-	1,142,232
Quoted equity securities in Malaysia	-	-	-	-	12,668	12,668
Quoted unit and property trust funds in Malaysia	-	-	-	-	-	-
<b>LAR:</b>						
Deposits and placements with financial institutions	202,251	-	-	-	-	202,251
Retakaful assets	120,851	-	61,472	-	79,845	262,168
Takaful receivables ^	-	-	83,928	16,692	-	100,620
Other receivables	11,870	-	4,027	-	-	15,897
Cash and bank balances	33,290	-	669	-	-	33,959
	<b>1,476,548</b>	<b>-</b>	<b>524,239</b>	<b>16,692</b>	<b>92,513</b>	<b>2,109,992</b>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating**

**General takaful fund (cont'd.)**

	Neither past-due nor impaired			Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	* B to BBB RM'000	*Not Rated RM'000			
<b>2016</b>						
<b>AFS financial investments:</b>						
Malaysian government papers	-		355,813	-	-	355,813
Unquoted debt securities in Malaysia	983,599		38,067	-	-	1,021,666
Quoted equity securities in Malaysia	-		-	-	12,795	12,795
Quoted unit and property trust funds in Malaysia	-		-	-	302	302
<b>LAR:</b>						
Deposits and placements with financial institutions	370,083		-	-	-	370,083
Retakaful assets	100,390	21,575	46,387	-	73,821	242,173
Takaful receivables ^	-		46,868	18,233	-	65,101
Other receivables	10,292		4,968	-	-	15,260
Cash and bank balances	61,741		7,953	-	-	69,694
	<u>1,526,105</u>	<u>21,575</u>	<u>500,056</u>	<u>18,233</u>	<u>86,918</u>	<u>2,152,887</u>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating (cont'd.)**

**Family takaful fund**

	Neither past-due nor impaired		Unit Linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*Not Rated RM'000				
<b>2017</b>						
<b>AFS financial investments:</b>						
Malaysian government papers	-	57,280	-	-	-	57,280
Unquoted debt securities in Malaysia	1,802,805	1,151,525	-	-	-	2,954,330
Quoted equity securities in Malaysia	-	-	-	-	851,699	851,699
Quoted unit and property trust funds in Malaysia	-	-	-	-	635	635
NICD	19,719	-	-	-	-	19,719
<b>Financial investments at FVTPL:</b>						
<b>- Designated upon initial recognition</b>						
Malaysian government papers	-	140,809	-	-	-	140,809
Unquoted debt securities in Malaysia	3,314,729	1,592,292	-	-	-	4,907,021
NICD	108,438	-	-	-	-	108,438



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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating (cont'd.)**

**Family takaful fund (cont'd)**

	Neither past-due nor impaired		Unit Linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*Not Rated RM'000				
<b>2017</b>						
<b>- HFT</b>						
Malaysian government papers	-	-	4,704	-	-	4,704
Unquoted debt securities in Malaysia	-	-	18,769	-	-	18,769
Quoted equity securities in Malaysia	-	-	56,308	-	-	56,308
Quoted unit and property trust funds outside Malaysia	-	-	508	-	-	508
<b>LAR:</b>						
Deposits and placements with financial institutions	565,277	-	17,700	-	-	582,977
Financing receivables	-	-	-	-	-	-
Retakaful assets	79,085	-	-	-	-	79,085
Takaful receivables ^^	-	61,540	-	17,132	-	78,672
Other receivables	220,457	37,818	345	-	1,563	260,183
Cash and bank balances	45,218	81	121	-	-	45,420
	<u>6,155,728</u>	<u>3,041,345</u>	<u>98,455</u>	<u>17,132</u>	<u>853,897</u>	<u>10,166,557</u>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating (cont'd.)**

**Family takaful fund (cont'd.)**

	Neither past-due nor impaired		Unit Linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*Not Rated RM'000				
<b>2016</b>						
<b>AFS financial investments:</b>						
Malaysian government papers	-	48,537	-	-	-	48,537
Unquoted debt securities in Malaysia	1,182,684	782,050	-	-	-	1,964,734
Quoted equity securities in Malaysia	-	-	-	-	859,172	859,172
Quoted unit and property trust funds in Malaysia	-	-	-	-	40,094	40,094
NICD	18,954	-	-	-	-	18,954
<b>Financial investments at FVTPL :</b>						
<b>- Designated upon initial recognition</b>						
Malaysian government papers	-	179,283	-	-	-	179,283
Unquoted debt securities in Malaysia	4,047,457	1,345,684	-	-	-	5,393,141
NICD	104,228	-	-	-	-	104,228
<b>- HFT</b>						
Malaysian government papers	-	-	7,171	-	-	7,171
Unquoted debt securities in Malaysia	-	-	10,692	-	-	10,692

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Credit exposure by rating (cont'd.)**

**Family takaful fund (cont'd.)**

	Neither past-due nor impaired		Unit Linked RM'000	Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*Not Rated RM'000				
<b>2016</b>						
<b>- HFT (cont'd)</b>						
Quoted equity securities in Malaysia	-	-	9,978	-	-	9,978
Quoted unit and property trust funds outside Malaysia	-	-	226	-	-	226
<b>LAR:</b>						
Deposits and placements with financial institutions	579,738	-	2,495	-	-	582,233
Retakaful assets	49,675	-	-	-	-	49,675
Takaful receivables <sup>^</sup>	-	64,448	-	20,548	-	84,996
Other receivables	62,932	31,626	-	-	6,365	100,923
Cash and bank balances	70,002	796	48	-	-	70,846
	<u>6,115,670</u>	<u>2,452,424</u>	<u>30,610</u>	<u>20,548</u>	<u>905,631</u>	<u>9,524,883</u>

\* Based on ratings assigned by external rating agencies including RAM and MARC.

<sup>^</sup> Takaful receivables from agents/insurers/reinsurers licensed under the IFSA 2013 are classified under the "not rated" category.

Financial investments such as Malaysian Government Papers and certain corporate debt securities are classified under "Not Rated" category as these investments are issued by government or guaranteed by government which were exempted from the need of getting rating from rating agencies.

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

Credit quality of Financial Assets

**Shareholder's fund**

**31.12.2017**

	Past due but not impaired				Impaired			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	733	733	2,219	(2,219)	-	733
Other receivables	-	-	423	423	2,317	(2,317)	-	423
	-	-	1,156	1,156	4,536	(4,536)	-	1,156

**31.12.2016**

	Past due but not impaired				Impaired			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	2,258	2,258	781	(781)	-	2,258
Other receivables	-	-	-	-	1,237	(1,237)	-	-
	-	-	2,258	2,258	2,018	(2,018)	-	2,258

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

Credit quality of Financial Assets (cont'd.)

**General takaful fund**

**31.12.2017**

	Past due but not impaired				Impaired			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	-	-	3,331	(3,331)	-	-
Retakaful assets	-	-	-	-	4	(4)	-	-
Takaful receivables	14,433	1,645	614	16,692	6,165	(6,165)	-	16,692
	14,433	1,645	614	16,692	9,500	(9,500)	-	16,692

**31.12.2016**

	Past due but not impaired				Impaired			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	-	-	3,331	(3,331)	-	-
Takaful receivables	7,404	6,257	4,572	18,233	7,077	(7,077)	-	18,233
	7,404	6,257	4,572	18,233	10,408	(10,408)	-	18,233

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

Credit quality of Financial Assets (cont'd.)

**Family takaful fund**

**31.12.2017**

	Past due but not impaired				Impaired			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	-	-	11	(11)	-	-
Takaful receivables	5,403	8,151	3,578	17,132	2,292	(2,292)	-	17,132
Other receivables	-	-	-	-	510	(510)	-	-
	5,403	8,151	3,578	17,132	2,813	(2,813)	-	17,132

**31.12.2016**

	Past due but not impaired				Impaired			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	-	-	11	(11)	-	-
Takaful receivables	10,332	8,064	2,152	20,548	2,080	(2,080)	-	20,548
Other receivables	-	-	-	-	510	(510)	-	-
	10,332	8,064	2,152	20,548	2,601	(2,601)	-	20,548

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Reconciliation of allowance account**

Movements in allowance for impairment losses for financial assets are as follows:

**Shareholder's fund**

	<b>Financing receivables (Note 6) RM'000</b>	<b>Other receivables (Note 9) RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
<u>Individual allowance</u>			
At 1 January	781	1,237	2,018
Reversal of impairment losses during the year	1,438	1,080	2,518
At 31 December	<u>2,219</u>	<u>2,317</u>	<u>4,536</u>
<u>Collective allowance</u>			
At 1 January/31 December	<u>-</u>	<u>-</u>	<u>-</u>
<b>2016</b>			
<u>Individual allowance</u>			
At 1 January	784	1,294	2,078
Reversal of impairment losses during the year	(3)	(57)	(60)
At 31 December	<u>781</u>	<u>1,237</u>	<u>2,018</u>
<u>Collective allowance</u>			
At 1 January/31 December	<u>-</u>	<u>-</u>	<u>-</u>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Reconciliation of allowance account (cont'd.)**

The movements in allowance for impairment losses for financial assets are as follows:

**General takaful fund**

	Financing receivables (Note 6) RM'000	Retakaful assets (Note 7) RM'000	Takaful receivables (Note 8) RM'000	Other receivables (Note 9) RM'000	Total RM'000
<b>2017</b>					
<u>Individual allowance</u>					
At 1 January	3,331	-	5,654	-	8,985
(Reversal of)/allowance for impairment losses during the year	-	4	(1,108)	-	(1,104)
Write off	-	-	(3)	-	(3)
At 31 December	<u>3,331</u>	<u>4</u>	<u>4,543</u>	<u>-</u>	<u>7,878</u>
<u>Collective allowance</u>					
At 1 January	-	-	1,423	-	1,423
Reversal of impairment losses during the year	-	-	199	-	199
At 31 December	<u>-</u>	<u>-</u>	<u>1,622</u>	<u>-</u>	<u>1,622</u>
<b>2016</b>					
<u>Individual allowance</u>					
At 1 January	3,331	2,540	7,098	32	13,001
(Reversal of)/allowance for impairment losses during the year	-	(2,540)	3,840	(32)	1,268
Write off	-	-	(5,284)	-	(5,284)
At 31 December	<u>3,331</u>	<u>-</u>	<u>5,654</u>	<u>-</u>	<u>8,985</u>
<u>Collective allowance</u>					
At 1 January	-	-	13,416	-	13,416
Reversal of impairment losses during the year	-	-	(11,993)	-	(11,993)
At 31 December	<u>-</u>	<u>-</u>	<u>1,423</u>	<u>-</u>	<u>1,423</u>



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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Reconciliation of allowance account (cont'd.)**

The movements in allowance for impairment losses for financial assets are as follows:

**Family takaful fund**

	<b>Financing receivables (Note 6) RM'000</b>	<b>Takaful receivables (Note 8) RM'000</b>	<b>Other receivables (Note 9) RM'000</b>	<b>Total RM'000</b>
<b>2017</b>				
<u>Individual allowance</u>				
At 1 January	11	1,643	510	2,164
(Reversal of)/allowance for impairment losses during the year	-	68	-	68
Written off during the year	-	-	-	-
At 31 December	<u>11</u>	<u>1,711</u>	<u>510</u>	<u>2,232</u>
<u>Collective allowance</u>				
At 1 January	-	437	-	437
Allowance for impairment losses during the year	-	144	-	144
At 31 December	<u>-</u>	<u>581</u>	<u>-</u>	<u>581</u>
<b>2016</b>				
<u>Individual allowance</u>				
At 1 January	3,212	2,653	510	6,375
(Reversal of)/allowance for impairment losses during the year	(1)	(58)	-	(59)
Written off during the year	(3,200)	(952)	-	(4,152)
At 31 December	<u>11</u>	<u>1,643</u>	<u>510</u>	<u>2,164</u>
<u>Collective allowance</u>				
At 1 January	-	1,510	-	1,510
Allowance for impairment losses during the year	-	(1,073)	-	(1,073)
At 31 December	<u>-</u>	<u>437</u>	<u>-</u>	<u>437</u>

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**42. FINANCIAL RISKS (CONT'D.)**

**(i) Credit Risk (cont'd.)**

**Financial effect of collateral held**

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

<b>Type of financing receivables</b>	<b>Type of collaterals</b>
Secured staff loans	Charges over residential properties and vehicles
Corporate loans	Charges over properties, lands being financed and bank guarantees

The funds with financial assets over which collaterals are held as security include the shareholder's and family takaful funds. The quantification of the extent to which collateral and other credit enhancements mitigate credit risk (referred to as "the financial effect of collateral") is described below.

**Shareholder's fund**

The financial effect of collateral held for financing receivables of the fund is 88.26% as at 31 December 2017 (2016: 92%). The financing receivables include staff loans and non-staff loans which amounted to RM 17.2 million as at 31 December 2017 (2016: RM17.3 million). These loans are collateralised in the form of charges over residential properties which are worth RM24.8 million (2016: RM28.6 million).

**(ii) Liquidity Risk**

Liquidity risk is the risk of an adverse impact to the Company'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.

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**42. FINANCIAL RISKS (CONT'D.)**

**(ii) Liquidity Risk (cont'd.)**

The Company measures and manages liquidity risk following the philosophy and principles below:

- (a) The Risk Management and Investment Management Departments actively monitor the cash flows associated and derived from assets and liabilities of the Company through the ALCO platform; and
- (b) The Investment Management Department ensures that the established investment limits set takes care of reasonable liquidity requirements at all times.

***Maturity Profiles***

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificates liability and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows of the recognised takaful liabilities.

Contribution liabilities, the retakaful share of contribution liabilities and expense liabilities relating to general takaful have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the “up to a year” column. Repayments which are subject to notice are treated as if notice were to be given immediately.

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**42. FINANCIAL RISKS (CONT'D.)**

**(ii) Liquidity Risk (cont'd.)**

*Maturity Profiles (cont'd.)*

Shareholder's fund	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
<b>2017</b>						
Financial investments:						
AFS	2,307,833	104,837	747,679	2,756,418	155,039	3,763,973
LAR	109,672	109,672	-	-	-	109,672
Financing receivables	17,197	2,276	7,685	7,236	-	17,197
Other receivables	273,148	273,148	-	-	-	273,148
Cash and bank balances	15,993	15,993	-	-	-	15,993
<b>Total assets</b>	<b>2,723,843</b>	<b>505,926</b>	<b>755,364</b>	<b>2,763,654</b>	<b>155,039</b>	<b>4,179,983</b>
Subordinated obligation*	301,189	13,047	52,188	318,483	-	383,718
Expense liabilities**	379,794	30,957	92,627	256,211	-	379,795
Takaful payables	9,493	9,493	-	-	-	9,493
Other payables	130,253	130,253	-	-	-	130,253
<b>Total liabilities</b>	<b>820,729</b>	<b>183,750</b>	<b>144,815</b>	<b>574,694</b>	<b>-</b>	<b>903,259</b>

\* Includes profit payable on subordinated obligation.

\*\* Only for Family takaful fund as General takaful fund expense liabilities has no maturity profile.

*Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).*

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**42. FINANCIAL RISKS (CONT'D.)**

**(ii) Liquidity Risk (cont'd.)**

*Maturity Profiles (cont'd.)*

<b>Shareholder's fund (cont'd.)</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2016</b>						
Financial investments:						
AFS	2,275,779	103,465	932,168	2,378,926	134,935	3,549,494
LAR	139,319	139,319	-	-	-	139,319
Financing receivables	17,371	3,958	7,600	5,813	-	17,371
Other receivables	292,193	292,193	-	-	-	292,193
Cash and bank balances	12,487	12,487	-	-	-	12,487
<b>Total assets</b>	<b>2,737,149</b>	<b>551,422</b>	<b>939,768</b>	<b>2,384,739</b>	<b>134,935</b>	<b>4,010,864</b>
Subordinated obligation*	301,189	13,560	54,240	335,030	-	402,830
Expense liabilities**	390,775	80,986	101,605	529,536	-	712,127
Takaful payables	7,762	7,762	-	-	-	7,762
Other payables	135,939	135,939	-	-	-	135,939
<b>Total liabilities</b>	<b>835,665</b>	<b>238,247</b>	<b>155,845</b>	<b>864,566</b>	<b>-</b>	<b>1,258,658</b>

\* Includes profit payable on subordinated obligation.

\*\* Only for Family takaful fund as General takaful fund expense liabilities has no maturity profile.

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**42. FINANCIAL RISKS (CONT'D.)**

**(ii) Liquidity Risk (cont'd.)**

*Maturity Profiles (cont'd.)*

<b>General takaful fund</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2017</b>						
Financial investments:						
AFS	1,495,097	172,505	1,197,144	335,316	12,668	1,717,633
LAR	202,251	202,251	-	-	-	202,251
Retakaful assets	217,092	157,730	58,247	1,115	-	217,092
Takaful receivables	100,620	100,620	-	-	-	100,620
Other receivables	15,897	15,897	-	-	-	15,897
Cash and bank balances	33,959	33,959	-	-	-	33,959
<b>Total assets</b>	<b>2,064,916</b>	<b>682,962</b>	<b>1,255,391</b>	<b>336,431</b>	<b>12,668</b>	<b>2,287,452</b>
Participants' fund**	196,302	-	-	-	196,302	196,302
Takaful certificate liabilities*	932,652	650,301	273,792	8,559	-	932,652
Takaful payables	82,465	82,465	-	-	-	82,465
Other payables	345,830	345,830	-	-	-	345,830
<b>Total liabilities</b>	<b>1,557,249</b>	<b>1,078,596</b>	<b>273,792</b>	<b>8,559</b>	<b>196,302</b>	<b>1,557,249</b>

\* Excluding contribution liabilities relating to the General takaful fund.

\*\* Excluding AFS reserves relating to the General takaful fund.

*Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).*

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**42. FINANCIAL RISKS (CONT'D.)**

(ii) Liquidity Risk (cont'd.)

*Maturity Profiles (cont'd.)*

General takaful fund (cont'd.)	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
<b>2016</b>						
Financial investments:						
AFS	1,390,576	125,642	1,078,766	521,087	13,097	1,738,592
LAR	370,083	370,083	-	-	-	370,083
Retakaful assets	215,514	175,147	39,446	921	-	215,514
Takaful receivables	65,101	65,101	-	-	-	65,101
Other receivables	15,260	15,260	-	-	-	15,260
Cash and bank balances	69,694	69,694	-	-	-	69,694
<b>Total assets</b>	<b>2,126,228</b>	<b>820,927</b>	<b>1,118,212</b>	<b>522,008</b>	<b>13,097</b>	<b>2,474,244</b>
Participants' fund**	175,393	-	-	-	175,393	175,393
Takaful certificate liabilities*	978,209	687,250	285,407	5,552	-	978,209
Takaful payables	61,776	61,776	-	-	-	61,776
Other payables	386,735	386,735	-	-	-	386,735
<b>Total liabilities</b>	<b>1,602,113</b>	<b>1,135,761</b>	<b>285,407</b>	<b>5,552</b>	<b>175,393</b>	<b>1,602,113</b>

\* Excluding contribution liabilities relating to the General takaful fund.

\*\* Excluding AFS reserves relating to the General takaful fund.

*Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).*

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**42. FINANCIAL RISKS (CONT'D.)**

**(ii) Liquidity Risk (cont'd.)**

*Maturity Profiles (cont'd.)*

Family takaful fund	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
<b>2017</b>						
Financial investments:						
AFS	3,883,663	220,930	1,048,388	3,849,882	852,334	5,971,534
FVTPL	5,236,558	489,637	2,051,492	6,079,036	56,816	8,676,981
LAR	582,977	582,977	-	-	-	582,977
Retakaful assets	79,085	15,798	20,032	43,255	-	79,085
Takaful receivables	78,672	78,672	-	-	-	78,672
Other receivables	260,183	260,183	-	-	-	260,183
Cash and bank balances	45,419	45,419	-	-	-	45,419
<b>Total assets</b>	<b>10,166,557</b>	<b>1,693,616</b>	<b>3,119,912</b>	<b>9,972,173</b>	<b>909,150</b>	<b>15,694,851</b>
Participants' fund	2,998,277	1,275,036	-	1,723,241	-	2,998,277
Takaful certificate liabilities	6,799,229	3,103,054	1,402,318	2,024,505	105,607	6,635,484
Takaful payables	45,220	45,220	-	-	-	45,220
Other payables	347,936	347,936	-	-	-	347,936
<b>Total liabilities</b>	<b>10,190,662</b>	<b>4,771,246</b>	<b>1,402,318</b>	<b>3,747,746</b>	<b>105,607</b>	<b>10,026,917</b>

*Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).*



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**42. FINANCIAL RISKS (CONT'D.)**

**(ii) Liquidity Risk (cont'd.)**

*Maturity Profiles (cont'd.)*

<b>Family takaful fund (cont'd.)</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2016</b>						
Financial investments:						
AFS	2,931,491	111,023	703,779	2,650,566	899,266	4,364,634
FVTPL	5,704,719	445,725	2,389,658	6,413,705	10,204	9,259,292
LAR	582,233	582,232	-	-	-	582,232
Retakaful assets	49,675	13,177	13,273	46,217	-	72,667
Takaful receivables	84,996	84,996	-	-	-	84,996
Other receivables	100,923	100,923	-	-	-	100,923
Cash and bank balances	70,846	70,846	-	-	-	70,846
<b>Total assets</b>	<b>9,524,883</b>	<b>1,408,922</b>	<b>3,106,710</b>	<b>9,110,488</b>	<b>909,470</b>	<b>14,535,590</b>
Participants' fund	2,824,275	75,582	-	2,748,693	-	2,824,275
Takaful certificate liabilities	6,341,039	3,016,541	1,404,377	3,870,533	30,583	8,322,034
Takaful payables	38,213	38,213	-	-	-	38,213
Other payables	341,124	341,124	-	-	-	341,124
<b>Total liabilities</b>	<b>9,544,651</b>	<b>3,471,460</b>	<b>1,404,377</b>	<b>6,619,226</b>	<b>30,583</b>	<b>11,525,646</b>

*Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).*

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**42. FINANCIAL RISKS (CONT'D.)**

**(iii) Market Risk**

Market risk is the risk of loss or of adverse changes in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market risk comprises of three (3)

- (a) foreign exchange rates (currency risk);
- (b) market profit yields (profit rate risk); and
- (c) equity price risk.

The Company has three main key features in its market risk management practices and policies.

- (a) A Company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable.
- (b) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policy after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.
- (c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked investment certificates with a number of products. In the investment-linked business, the 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 Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of market risk in the following pages do not include analyses on the impact such risks on the investment-linked funds.

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**42. FINANCIAL RISKS (CONT'D.)**

**(iii) Market Risk (cont'd.)**

**(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 Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the IFSA 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment certificate liabilities.

The Company's main foreign exchange risk from recognised assets and liabilities arises from retakaful transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

**(b) Profit Rate Risk**

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 profit rates.

Profit yield risks arise from exposures to 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 Company.

The Company measures and manages profit rate risk mainly based on the following three philosophies and principles:

- (a) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- (b) Set the benchmark for asset duration in line with risk appetite; and
- (c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

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**42. FINANCIAL RISKS (CONT'D.)**

**(iii) Market Risk (cont'd.)**

**(b) Profit Yield Risk (cont'd.)**

	Changes in variables	2017		2016	
		Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
<b>Funds</b>					
Share-holders	+100 basis points	-	(144,450)	-	(132,212)
	-100 basis points	-	144,450	-	132,212
General takaful	+100 basis points	-	(20,526)	-	(21,086)
	-100 basis points	-	20,526	-	21,086
Family takaful	+100 basis points	(91,499)	(101,085)	(115,546)	(107,573)
	-100 basis points	91,499	101,085	115,546	107,573

\* Impact on equity is after tax of 24% (2016: 24%) for general and shareholder's fund and 8% for family takaful fund.

**(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 profit 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 Company'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 Company'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 regards to also such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may incur over time.

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**42. FINANCIAL RISKS (CONT'D.)**

**(iii) Market Risk (cont'd.)**

**(c) Equity Price Risk (cont'd.)**

**Market Indices - Bursa Malaysia**

<b>Funds</b>	<b>Changes in variables</b>	<b>2017</b>	<b>2016</b>
		<b>Impact on equity* RM'000</b>	<b>Impact on equity* RM'000</b>
Shareholders	+10%	11,783	10,255
	-10%	(11,783)	(10,255)
General takaful	+10%	433	448
	-10%	(433)	(448)
Family takaful	+10%	14,583	14,953
	-10%	(14,583)	(14,953)

\* Impact on equity is after tax of 24% (2016: 24%) for general and shareholder's fund and 8% for family takaful fund.

**(iv) Concentration Risk**

Concentration risk refers to the risk associated with the potential losses that are substantial enough to threaten the financial condition of the Company and its core operations causing material adverse impact to the earnings, capital or total assets.

This covers exposure to excessive concentration in any type of Market Risk, Credit Risk or Liquidity Risk. 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 Company'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 regards to also such limits stipulated by BNM.

The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

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#### 43. OPERATIONAL RISK

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. This definition includes legal risk, but excludes strategic and reputational risk.

Some examples of operational incidents include:

- Misappropriation of investments, due to fraud, an illegal act, malicious intent, spite, terrorism;
- Disruption or failure of IT systems and infrastructure, which may be used for monitoring, execution, administration;
- Inaccurate calculations due to data quality or errors, methodology flaws, miscalculations; and
- Inaccurate or incomplete controls.

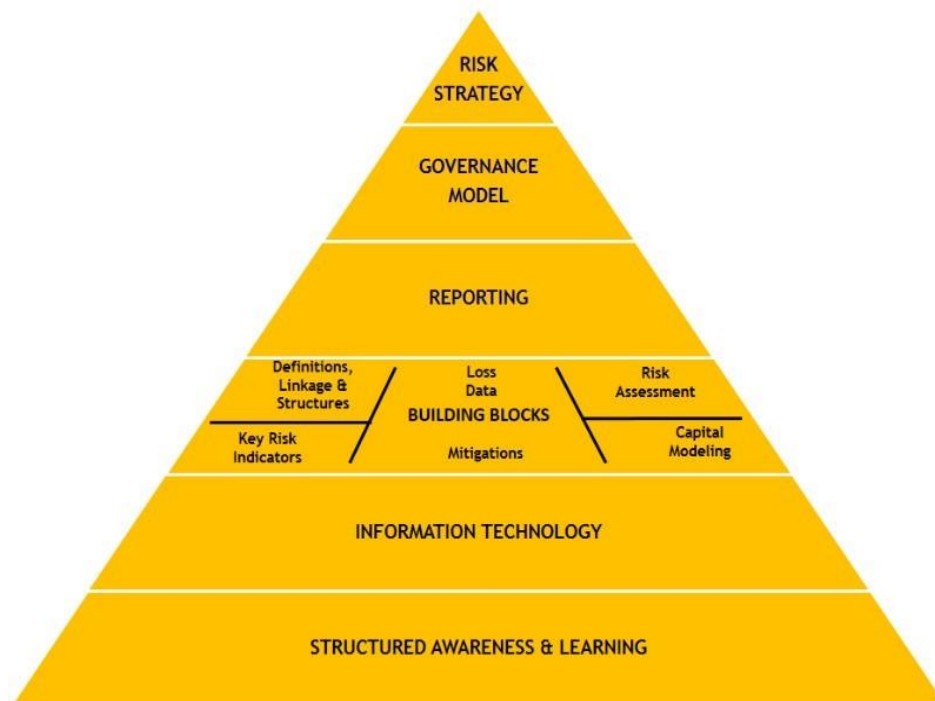
The table below outlines the definitions of the four (4) causal categories of operational risk:

<b>Casual Categories</b>	<b>Definition</b>
People	Risks resulting from staff defaulting in expected behaviours or the organisation being ineffective/inefficient in the management of its human capital.
Processes	Risks resulting from inadequate/failed internal business processes or transactions process flows.
Systems	Risk resulting from inadequate or defaulting IT/communication systems, or the unavailability or integrity of data.
External events	Risks resulting from events and actions from outside the organisation's immediate control having a negative impact on the business.

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**43. OPERATIONAL RISK (CONT'D.)**

The methodology and components adopted in operational risk are summarised in the diagram below.



**Enterprise 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.

**Shariah Non Compliance Risk**

Shariah non-compliance risk is defined as the risk of losses in the value of a fund due to the non-compliance of specific assets with Shariah rules and principles. This would result in mandatory charitable donations of income arising on a non-compliant asset, or illiquidity arising due to an excess of sellers in the market. The Shariah rules and principles are determined by the Shariah Committee or other regulatory council.

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**44. FAIR VALUES 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 Company 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 for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Company 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.



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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(a) Valuation principles (Cont'd.)**

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified by 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 actively traded government securities, listed derivatives and cash products traded on an exchange.

- Level 2 : No Active Market – Valuation techniques using observable input

Refers to inputs other than quoted prices 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 other government bonds, less liquid equities and OTC derivatives.

- Level 3 : No Active Market – Valuation techniques using unobservable input

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 instruments include corporate bonds in illiquid markets and private equity investments.

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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(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) Takaful receivables and payables**

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(m) and Note 2.2(q). 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(d) and Note 2.2(e). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.

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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(c) Fair value measurements and classification within the fair value hierarchy**

**Shareholder's Fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant Unobservable inputs RM'000	
<b>2017</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	226,964	-	226,964
Unquoted debt securities in Malaysia	-	1,925,830	-	1,925,830
Quoted equity securities in Malaysia	129,806	-	-	129,806
Quoted unit and property trust funds in Malaysia	-	-	-	-
Investment-linked units	25,233	-	-	25,233
<b>Total assets</b>	<b>155,039</b>	<b>2,152,794</b>	<b>-</b>	<b>2,307,833</b>
<b>2016</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	306,503	-	306,503
Unquoted debt securities in Malaysia	-	1,834,341	-	1,834,341
Quoted equity securities in Malaysia	107,597	-	-	107,597
Quoted unit and property trust funds in Malaysia	3,965	-	-	3,965
Investment-linked units	23,373	-	-	23,373
<b>Total assets</b>	<b>134,935</b>	<b>2,140,844</b>	<b>-</b>	<b>2,275,779</b>

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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(c) Fair value measurements and classification within the fair value hierarchy  
 (cont'd.)**

**General takaful fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>2017</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	340,197	-	340,197
Unquoted debt securities in Malaysia	-	1,142,232	-	1,142,232
Quoted equity securities in Malaysia	12,668	-	-	12,668
Quoted unit and property trust funds in Malaysia	-	-	-	-
<b>Total assets</b>	<b>12,668</b>	<b>1,482,429</b>	<b>-</b>	<b>1,495,097</b>
<b>2016</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	355,813	-	355,813
Unquoted debt securities in Malaysia	-	1,017,376	4,290	1,021,666
Quoted equity securities in Malaysia	12,795	-	-	12,795
Quoted unit and property trust funds in Malaysia	302	-	-	302
<b>Total assets</b>	<b>13,097</b>	<b>1,373,189</b>	<b>4,290</b>	<b>1,390,576</b>

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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)**

**Family takaful fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>2017</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	57,280	-	57,280
Unquoted debt securities in Malaysia	-	2,954,330	-	2,954,330
Quoted equity securities in Malaysia	851,699	-	-	851,699
Quoted unit and property trust funds in Malaysia	635	-	-	635
NICD	-	19,719	-	19,719
				-
<b>Financial investments at FVTPL</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	140,809	-	140,809
Unquoted debt securities in Malaysia	-	4,907,022	-	4,907,022
NICD	-	108,438	-	108,438
<b>- HFT</b>				
Malaysian government papers	-	4,704	-	4,704
Unquoted debt securities in Malaysia	-	18,769	-	18,769
Quoted equity securities in Malaysia	56,308	-	-	56,308
Quoted unit and property trust funds outside Malaysia	508	-	-	508
	909,150	8,211,071	-	9,120,221

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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)**

**Family takaful fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>2016</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	48,537	-	48,537
Unquoted debt securities in Malaysia	-	1,932,922	31,812	1,964,734
Quoted equity securities in Malaysia	859,172	-	-	859,172
Quoted unit and property trust funds in Malaysia	40,094	-	-	40,094
NICD	-	18,954	-	18,954
				-
<b>Financial investments at FVTPL</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	179,283	-	179,283
Unquoted debt securities in Malaysia	-	5,374,228	18,913	5,393,141
NICD	-	104,228	-	104,228
<b>- HFT</b>				
Malaysian government papers	-	7,171	-	7,171
Unquoted debt securities in Malaysia	-	10,692	-	10,692
Quoted equity securities in Malaysia	9,978	-	-	9,978
Quoted unit and property trust funds outside Malaysia	226	-	-	226
	<b>909,470</b>	<b>7,676,015</b>	<b>50,725</b>	<b>8,636,210</b>

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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(d) Transfer between Level 1 and Level 2 in the fair value hierarchy**

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hierarchy 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 transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2017.

**(e) Movements of Level 3 instruments**

	<u>General Takaful Fund</u> <u>Financial instruments</u> <u>measured at fair value</u>	<u>Family Takaful Fund</u> <u>Financial instruments</u> <u>measured at fair value</u>	<u>Designated</u> <u>at FVTPL</u> <u>RM'000</u>
	AFS RM'000	AFS RM'000	RM'000
As at 1 January 2017	4,290	31,812	18,913
Recognised in income statement:			
Realised loss	187	1,387	825
Fair value loss	-	-	(5,091)
Recognised in other comprehensive income as fair value gain	(1,155)	(8,563)	-
Disposals	(3,322)	(24,636)	(14,647)
As at 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>187</u>	<u>1,387</u>	<u>(4,266)</u>
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	<u>(1,155)</u>	<u>(8,563)</u>	<u>-</u>

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**44. FAIR VALUES MEASUREMENTS (CONT'D.)**

**(e) Movements of Level 3 instruments (cont'd)**

	<u>General Takaful Fund</u>	<u>Family Takaful Fund</u>	
	<u>Financial instruments</u> <u>measured at fair value</u>	<u>Financial instruments</u> <u>measured at fair value</u>	
	AFS RM'000	AFS RM'000	Designated at FVTPL RM'000
As at 1 January 2016	4,323	32,064	19,063
Recognised in income statement:			
Realised gain	20	147	87
Fair value gain			100
Recognised in other comprehensive income as fair value gain	23	167	-
Disposals	(76)	(566)	(337)
As at 31 December 2016	<u>4,290</u>	<u>31,812</u>	<u>18,913</u>
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>20</u>	<u>147</u>	<u>187</u>
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	<u>23</u>	<u>167</u>	<u>-</u>

**(f) Sensitivity of fair value measurements to changes in unobservable input assumptions**

The Company's exposure to financial instruments measured with valuation techniques using significant unobservable inputs comprise a small number of financial instruments which constitute an insignificant component of the Company'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.



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**45. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 31 December 2017, as prescribed under the RBCT Framework, is provided below:

<b>Company</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Paid up share capital	400,000	400,000
Valuation surplus in takaful funds	1,919,543	2,914,229
Retained earnings	1,382,972	1,393,143
	<u>3,702,515</u>	<u>4,707,372</u>
<b>Tier 2 Capital</b>		
Available-for-sale reserves	(61,971)	(29,609)
Subordinated obligation	300,000	300,000
	<u>238,029</u>	<u>270,391</u>
Amount deducted from capital	<u>(26,567)</u>	<u>(25,133)</u>
Total Capital Available	<u>3,913,977</u>	<u>4,952,630</u>

The company's capital available consists of both Family and General takaful funds which is the prescribed formula as per Bank Negara Malaysia ("BNM") Risk Based Capital Takaful ("RBCT") framework.

**46. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in order to conform to changes in the current year's presentation. These reclassifications had no financial impact on the statement of financial position, the income statement, the statement of changes in equity and statement of cash flows of the Company.

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**47. SUBSEQUENT EVENT**

**Conversion of Composite Licences to Single Licences (“Licence Split”)**

According to the Financial Services Acts (“FSA”) and Islamic Financial Services Acts (“IFSA”) introduced in 2013, a licensed Takaful Operator and a licensed Insurer can no longer operate as composite licence. This reference can be made to Section 16(1) in FSA/IFSA, in which it prohibits a licensed insurer/licensed Takaful Operator to carry on a composite licence. A licensed insurer/licensed Takaful Operator must only carry a single licence on either a Life/Family Takaful business or a General Insurance/Takaful business.

A composite licensed Insurer and a licensed composite Takaful Operator are expected to complete the conversion exercise and operate under single licence latest by 1 July 2018; as stated in Bank Negara Malaysia (“BNM”)’s Conversion to Single Insurance or Takaful Business Guideline issued on 15 February 2016.

On 10 August 2016, Etiqa Insurance Berhad (“EIB”) Board approved the Management proposal to retain the general insurance business in the existing licensed company while the Life insurance business will be carved out and transferred to a new wholly owned company set up by MAHB. On the same date, Etiqa Takaful Berhad (“ETB”) Board approved the Management proposal to retain the Family Takaful business in the existing licensed company while the General Takaful will be carved out and transferred to a new wholly owned company set up by MAHB. Both transferred businesses are vested with court vesting orders.

On 15 August 2016, the Maybank Ageas Holdings Berhad’s (“MAHB”) Board approved the decisions made by EIB Board and ETB Board in paragraph above.

On 24 February 2017, MAHB received the consent from BNM to use the word “Insurance” and “Takaful” in the proposed subsidiaries’ names as below:-

- (i) Etiqa General Insurance Berhad (“EGIB”)
- (ii) Etiqa Family Takaful Berhad (“EFTB”)
- (iii) Etiqa General Takaful Berhad (“EGTB”)
- (iv) Etiqa Life Insurance Berhad (“ELIB”)

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**47. SUBSEQUENT EVENT (CONT'D)**

**Conversion of Composite Licences to Single Licences (“Licence Split”) (cont'd.)**

Thereafter, EGTB and ELIB were incorporated on 18 July 2017 and 19 July 2017 respectively.

The Ministry of Finance (“MOF”) through BNM’s letter dated 7 August 2017 (“BNM’s Letter”) has granted, in principle, the four (4) single licences, to EGIB, EFTB, EGTB and ELIB. The MOF also approved the shareholding structure of which the 4 licencees will be wholly owned by MAHB.

On 19 October 2017, the High Court of Malaya made an order sanctioning the scheme of transfers for ETB to transfer the General Takaful business to EGTB and for EIB to transfer the Life insurance business to ELIB. Both schemes are to take effect on 1 January 2018 or such other date as determined by the BNM being the date of the licence.

In compliance with the requirement made in the BNM’s Letter, ETB and EIB have both surrendered their composite licences in exchange for the issuance of four (4) single licences to EFTB (to carry out Family Takaful business), EGTB (to carry out General Takaful business), EGIB (to carry out General Insurance business), ELIB (to carry out Life Insurance business) respectively; effective on 1 January 2018.

On 28 December 2017, BNM released the four (4) single licences to MAHB.

On 1 January 2018, the License Split was successfully completed. Subsequently, EIB and ETB were renamed from EIB to EGIB and ETB to EFTB respectively.