ETIQA FAMILY TAKAFUL BERHAD
(266243-D)
(Incorporated in Malaysia)

Directors' report, Corporate Governance Disclosures and
Audited Financial Statements
31 December 2018

266243-D

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

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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 2018.

PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of the principal activities during the year other than disclosed in Note 1 to the financial statements.

RESULTS

	RM'000
Net profit for the financial year	182,383

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 operation of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The director recommended a final dividend in respect of the financial year ended 31 December 2018 and it will be subject to Bank Negara Malaysia ("BNM") and shareholder's approval. The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019 upon approval by BNM and the shareholder.

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 and had expired on 23 June 2018. 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 Scheme ("ESOS") and Restricted Share Unit ("RSU").

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

The Maybank Group ESGP is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 5 April 2017. It was awarded to the participating Maybank Group who fulfill the eligibilty criteria. The ESGP was implemented on 14 December 2018 and it is in force for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan of the Maybank Group ("ESGP Share") and Maybank Group Cash-settled Performance-based Employees' Share Grant Plan ("CESGP").

The maximum number of ordinary shares in MBB available under the ESGP should not exceed 3.5% 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)
Mr. Philippe Pol Arthur Latour (Vice Chairman)
Dato' Mohamed Rafique Merican
Mohd Wahiduddin Merican
Dato' Johan Ariffin
Dr. Abdul Rahim Abdul Rahman
Mr. Wong Pakshong Kat Jeong Colin Stewart (Appointed on 1 March 2018)
Datuk R. Karunakaran (Resigned on 1 January 2018)
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)

Pursuant to Article 96 of the Company's Constitution, Mr. Philippe Pol Arthur Latour and Dato' Johan Ariffin shall retire at the forthcoming AGM of the Company and, being eligible, offer themselves for re-election.

Pursuant to Article 102 of the Company's Constitution, Mr. Wong Pakshong Kat Jeong Colin Stewart shall retire at the forthcoming AGM of the Company and, being eligible, offers himself for re-election.

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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, RSU, ESGP and CESGP pursuant to the Maybank Group ESS.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, as disclosed in Note 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' INDEMNITY

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

Coverage	Premium Paid	
Limit of Liability - Group Policy	2018 Gross Premium RM'000	2017 Gross Premium RM'000
RM250 million	1,135	1,060

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, RSU and ESGP of the ultimate holding company, MBB, during the financial year were as follows:

	As at 1.1.2018	Number of ordinary shares Issued pursuant to RSU	DRP*	As at 31.12.2018
Ultimate Holding Company				
Direct Interest:				
Dato' Johan Ariffin	305,162	-	3,467	308,629
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	169,442	66,702	-	236,144

*DRP = Dividend Reinvestment Plan

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DIRECTORS' INTERESTS (CONTD.)

	Number of ordinary shares		
	As at 1.1.2018/ Date of Appointment	Acquired during the year	As at 31.12.2018
Indirect Interest:			
Wong Pakshong Kat Jeong Colin Stewart[1]	34,253	-	34,253

[1] Shares in MBB held by spouse

	Number of share option from ESOS over ordinary shares						
	Original Exercise Price (RM)	Granted	Vested as at 1.1.2018	Vested during the financial year	No. of ESOS Exercised	No. of ESOS Expired	Vested as at 31.12.2018
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	9.47	966,000	966,000	-	(966,000)	-	-
		966,000	966,000	-	(966,000)	-	-

	Number of RSU of ordinary shares					
	Grant Date	Granted as at 1.1.2018	Outstanding as at 1.1.2018	Vested during the financial year	Not Vested during the financial year	Outstanding as at 31.12.2018
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	30.04.2015	75,000	75,000	(66,702)	(8,298)	-
		75,000	75,000	(66,702)	(8,298)	-

The remaining ESOS and RSU which were granted to the director have not been vested as at 31 December 2018. 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.

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

During the financial year, the Ultimate Holding Company has awarded the ESGP Shares to the following director :

	Award Date	Number of ESGP shares awarded
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	14.12.2018	104,000

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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 as disclosed from page 8 to 28.

FINANCIAL HOLDING COMPANY

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

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

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.

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 certificate liabilities in accordance with the valuation methods 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.

OTHER STATUTORY INFORMATION (CONTD.)

(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.

(f) In the opinion of the directors:

(i) no contingent liability 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 operation of the Company for the financial year in which this report is made.

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

SIGNIFICANT EVENT

There were no significant events which have occurred during the financial year other than disclosed in Note 1 and Note 47 to the financial statements.

SUBSEQUENT EVENT

There were no material events subsequent to the end of the financial year that would require adjustment or disclosure in the financial statements.

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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 18 February 2019.

DATO' MAJID MOHAMAD

DATO' MOHAMED RAFIQUE MERICAN MOHD WAHIDUDDIN MERICAN

ETIQA FAMILY TAKAFUL BERHAD
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CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors ("the Board") of the Company, a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company ("MAHB") collectively referred to as ("the Group") acknowledges the importance of robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment, the Board continuously strives to refine the Company’s CG practices and processes in ensuring high standards of transparency, integrity and honesty.

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

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

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

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

(a) Board Composition

Currently, the Board consists of six (6) Directors, comprising:
(i) two (2) Non-Independent Non-Executive Director ("NINED"); and
(ii) four (4) Independent Non-Executive Directors ("INED").

The Composition of the Board meets the requirement of having a majority of independent directors as set out in the BNM CG Policy. Dato' Majid Mohamad, an INED, is the Chairman of the Board and Mr. Phillippe Pol Arthur Latour, a NINED is nominee of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

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

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

(a) Board Composition (Contd.)

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

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

Members of the Board	Designation	Number of Board Meetings attended	%
Dato' Majid Mohamad *(Chairman)*	INED	8/8	100
Mr. Philippe Pol Arthur Latour *(Vice Chairman)*	NINED	7/8	88
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	NINED	6/8	75
Dato' Johan Ariffin	INED	8/8	100
Dr. Abdul Rahim Abdul Rahman	INED	7/8	88
Mr. Wong Pakshong Kat Jeong Colin Stewart*	INED	8/8	100

* *appointed on 1 March 2018*

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

(a) Board Composition (Contd.)

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Dato' Majid Mohamad Independent Non-Executive Director Chairman 64 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa General Takaful Berhad
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director Vice-Chairman 59 years of age Belgian	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa General Insurance Berhad • Director of Etiqa General Takaful Berhad
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican Non-Independent Non-Executive Director 53 years of age Malaysian	Banking	• Director of Etiqa General Takaful Berhad
Dato' Johan Ariffin Independent Non-Executive Director 59 years of age Malaysian	Property Development & Banking	• Director of Maybank Ageas Holdings Berhad • Director of Etiqa Life Insurance Berhad • Director of Etiqa General Insurance Berhad • Director of Etiqa General Takaful Berhad
Dr. Abdul Rahim Abdul Rahman Independent Non-Executive Director 51 years of age Malaysian	Academician	• Director of Etiqa General Takaful Berhad

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (Contd.)

Profile of Directors (Contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
Mr. Wong Pakshong Kat Jeong Colin Stewart Independent Non-Executive Director 59 years of age Singaporean	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa Insurance Pte Ltd (Incorporated in Singapore)

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). Directors’ interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB") are disclosed in the Directors’ Report that accompanies the Company’s financial statements for the financial year ended 31 December 2018 ("FYE 2018").

(b) Roles and Responsibilities of the Board

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles and Responsibilities

The Company leveraged on the Group Board Committees to assist the Board in carrying out effective oversight of the operations and business affairs of the Company, namely:

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

To ensure that the Company's operations comply with Shariah principles pursuant to the Islamic Financial Services Act 2013, the Board is assisted by:

(vi) Group Shariah Committee.

(i) Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") was established on 1 September 2018. Prior to this, the Company leveraged on the Group NRC at Maybank.

NRC consists of a majority of INEDs and chaired by an INED.

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

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

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

(i) Nomination and Remuneration Committee (Contd.)

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

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

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

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

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

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

(i) Nomination and Remuneration Committee (Contd.)

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

Members of the NRC	Designation	Number of NRC Meetings attended	%
Datuk Mohd Najib Abdullah (Chairman) [1]	INED	2/2	100
Mr. Gary Lee Crist [2]	NINED	2/2	100
Dato' Johan Arifin	INED	2/2	100

[1] Director of MAHB and its wholly-owned subsidiaries, Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad.

[2] Director of MAHB

(ii) Audit Committee of the Board

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

ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, review related-party transactions and conflicts of interest situations, access the suitability, objectivity and independence of the Group's appointed external auditors and 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 Group's operations run in an effective and efficient manner as well as to safeguard the Group's assets and stakeholders' interests.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

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

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

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

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

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

[1] Director of Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad, wholly-owned subsidiaries of MAHB

[2] Director of MAHB

[3] Director of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB

(iii) Risk Management Committee

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

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

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

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

(iii) Risk Management Committee (Contd.)

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

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

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

[1] Director of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB

[2] Director of MAHB

(iv) Investment Committee

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

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

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

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

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

(iv) Investment Committee (Contd.)

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

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

[1] Executive Director, MAHB

(v) Board Oversight Committee of Information Technology

The Board Oversight Committee of Information Technology ("BOC IT") consists of five (5) members and chaired by an INED.

BOC IT is a governance body which carries an oversight function for technology related activities to provide differentiation and competitive advantage to the Group, improve productivity of people and processes, address risks of technology obsolescence and ensure all IT initiatives are adequately funded and resourced.

BOC IT was revamped and renamed to Board Oversight Committee of Innovation & Technology effective from 1 January 2019 to focus on innovation in technology related activities.

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

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

(v) Board Oversight Committee of Information Technology (Contd.)

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

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

Members of the BOC IT	Designation	Number of BOC IT Meetings attended	%
Mr. Loh Lee Soon (Chairman) [1]	INED	7/7	100
Mr. Philippe Pol Arthur Latour	NINED	4/7	57
Encik Kamaludin Ahmad [2]	Member	7/7	100
Encik Mohd Suhail Amar Suresh [3]	Member	7/7	100
Mr. Hans Van Wuijckhuijse [4]	Member	7/7	100

[1] Director of Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad, wholly-owned subsidiaries of MAHB.
[2] CEO of MAHB.
[3] Group Chief Technology Officer, MBB
[4] Regional Director, Business Development Ageas Asia

(vi) Group Shariah Committee

The Group Shariah Committee ("Group SC") consists of eight (8) members.

The Board of the Company (referred to as "Takaful Operators") set up Group SC in compliance with the Islamic Financial Services Act 2013, which will oversee the operations of Takaful Operators to ensure that they are in line with the principles of Shariah.

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

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

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

(vi) Group Shariah Committee (Contd.)

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

Members of the Group SC	Designation	Number of Group SC Meetings attended	%
Dr. Ahcene Lahsasna	Chairman	9/9	100
Dr. Ismail Mohd @ Abu Hassan^	Member	5/5	100
Dr. Mohammad Deen Mohd Napiah^	Member	8/8	100
Dr. Sarip Adul	Member	9/9	100
Prof Dr. Rusni Hassan	Member	8/9	89
Prof. Dr. Abdul Rahim Abdul Rahman	INED	9/9	100
Prof Dato’ Dr. Mohd Azmi Omar*	Member	4/5	80
Dato’ Dr. Anhar Opir*	Member	5/5	100

** appointed on 1 May 2018*
^ resigned on 1 May 2018

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

(d) 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 facing the Board.

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

(i) <u>Induction Programme</u>

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

(ii) <u>Training Attended by Directors</u>

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

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

(d) Directors' Training (Contd.)

(ii) Training Attended by Directors (Contd.)

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

Training attended by Directors	DMM[1]	PL[2]	DRM[3]	DJA[4]	DAR[5]	WPC[6]
A. In-house Training						
1. Etiqa Compliance Conference 2018.	√		√	√		√
2. Etiqa Board Risk Workshop.	√		√	√	√	√
3. Etiqa Offsite presentation: (a) How Technology is Changing the Business Paradigm by Willis Towers Watson; (b) Using Technology to deliver what the customer wants; (c) Making Etiqa a high performance organization; and (d) Merger & Acquisition for Etiqa.	√	√	√	√	√	√
4. Maybank Compliance Training Program for Board Members and Senior Management.	√	√	√	√		√
5. Maybank - Board Risk Workshop 2018.				√		
6. Ageas Partnership Days 2018.	√	√		√		√
7. Ageas Investor Day 2018.		√				
8. Ageas Finance and Risk Offsite.		√				
9. Ageas Management Forum 2018.		√				
B. External Training						
1. FIDE Forum Board Conversation	√					
2. FIDE Forum – Managing Cyber Risks in Financial Institution.	√					
3. FIDE Forum: Identifying Your Next Board Talent - Optimising Board Composition and Board Director Recruitment.				√		
4. FIDE Forum Annual Dialogue with the Deputy Governor of BNM.	√					
5. FIDE Luncheon Talk on I Think Malaysia.	√					
6. FIDE Dinner Talk – The Director as Coach by Dr. Marshall Goldsmith	√					
7. FIDE Module A.					√	√
8. FIDE Module B.		√			√	√
9. BNM Maqasid Shariah Dialogue Session.			√			
10. PIDM Dialogue with the Board Members of Life Insurance Companies – Briefing on Differential Levy System Framework to the Board of Directors.				√		
11. FT China Insurance Summit.		√				
12. 3rd Asean Insurance Summit.	√					
13. The Takaful Rendezvous 2018.	√					
14. "Takaful Minds & Its Algorithm in the Takaful Industry" - Session with Datuk Dr Mohd Daud Bakar.	√			√	√	
15. Takaful Executive Development Program: Value Based Intermediation in Takaful.	√			√	√	
16. Takaful Executive Development Program: Reinvigorating the Philosophy of Takaful.					√	
17. Securities Commission - World Bank - IOSCO Asia Pacific Hub Conference 2018.			√			
18. IIFM Seminar on Islamic Financial Markets.	√					
19. INSEAD Digital Upskilling Program.			√			
10. Singularity Digital Safari.		√				
20. Fintech – Disruption to be embraced.	√					
21. Win the Innovation Race : Unlocking the Creativity Power of Asians.	√					
22. SAS ERM-ESSEC CREAR Cyber Risk Conference.						√
23. ICDM PowerTalk By Professor CK Low – Would A Business Judgement Rule Help Directors Sleep Better At Night?				√		
24. Distinguished Board Leadership Series.	√					
25. ALM, Investment and Capital Management Conference.		√				
26. Bonds, Loans & Sukuk Middle East Conference 2018			√			
27. Global Forum on Remittances, Investment and Development Asia-Pacific 2018.			√			
28. Utilisation of ERM for Commercial Sustainability, Agility and Resilience.				√		
29. World Capital Market Symposium – Renaissance of Capitalism.	√					
30. Investing in Integrated Strata Development Briefing: Understanding Owner's Rights and Obligations under the Strata Titles Act 1985 and Strata Management Act 2013.				√		
31. 2018 Invest Malaysia – Connecting Strength Advancing Performance.	√					
32. Malaysia: A New Dawn 2018 Conference.	√			√		
33. The Global Institute for Leadership Development 2018.			√			
34. PNB - CEO Roundtable 2018.			√			
35. Transformasi Nasional 2050 Dialogue Session.			√			
36. Global Islamic Finance Forum 2018.			√			
37. International Shari'ah Scholars Forum 2018.			√		√	
38. World Halal Conference 2018.			√			

1 DMM - Dato' Majid Mohamad
2 PL - Mr. Philippe Pol Arthur Latour
3 DRM - Dato' Mohamed Rafique Merican
4 DJA - Dato' Johan Ariffin
5 DAR - Dr. Abdul Rahim Abdul Rahman
6 WPC - Mr. Wong Pakshong Kat Jeong Colin Stewart

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(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) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

The Company leveraged on NRC at MAHB established on 1 September 2018. Prior to this, the Company leveraged on the Group NRC at MBB.

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

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, and responsibilities with being a director of a financial institution.

The remuneration package of NEDs consists of the following:

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(4) REMUNERATION - QUALITATIVE DISCLOSURES (CONTD.)

(b) Senior Management Appointment and Performance

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.

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) Non-Executive Directors' Remuneration

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

Remuneration	Per Annum (RM)
(i) Fees	
· Board	
- Chairman	180,000
- Member	120,000
· Committee	
- Chairman	32,500
- Member	28,000
(ii) Meeting allowance	
· per meeting attended	2,000

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

The details of Directors' and CEOs' Remuneration for FYE 2018 are disclosed in the Notes 27 and 28 to the Company's Financial Statements.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

Key elements	Purpose
Fixed Pay	Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level.
Variable Pay	**Variable Bonus** ▪ Reinforce pay-for-performance culture and adherence to the Group's Core Values T.I.G.E.R.* ▪ Variable cash award design that is aligned with the long-term performance goals of the Group through deferral and claw-back policies. ▪ Based on overall Group Performance, Business/Corporate Function and individual performance. ▪ Performance is measured via the Balanced Scorecard approach. ▪ Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

	Long-term Incentive Award ▪ The Long-term Incentive Award is offered within the suite of Total Rewards for eligible Talents. An approved customized Share Grant Plan is offered to eligible Senior Management who has direct line of sight in driving, leading and executing the Group's business strategies and objectives. **Clawback Provision** ▪ The Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on Variable Bonus and Long-term Incentive Awards.
Benefits	▪ Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for a diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich employees, as part of total rewards strategy.
Development and Career Opportunities	▪ Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies.

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

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

Long-term Incentive Award – Employees' Share Grant Plan

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Long-term Incentive Award – Employees' Share Grant Plan (Contd.)

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

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

Corporate Governance – Remuneration practices

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

OMRT is defined as:

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

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

Summary of FYE 2018 compensation outcome for those identified as Senior Officers and OMRT:

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of Pax	RM	No. of Pax	Units
Material Risk Taker "Senior Officers"				
Cash-based	2	1,405,546	Nil	Nil
Shares and share-linked instrument (ESOS etc)	Nil	Nil	Nil	Nil
Other Material Risk Taker "OMRT"				
Cash-based	Nil	Nil	Nil	Nil
Shares and share-linked instrument (ESOS etc)	Nil	Nil	Nil	Nil

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

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 36 to 211 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 2018 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 18 February 2019.

DATO' MAJID MOHAMAD

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 36 to 211 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 18 February 2019

ZAFRI AB HALIM

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

Before me,

Commissioner for Oaths

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

266243-D

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE
In the name of Allah, the Most Beneficent, the Most Merciful

We, Dr. Ahcene Lahsasna and Prof. Dr. Abdul Rahim Abdul Rahman, 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 2018. 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 operation 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 2018 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.

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONTD.)

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 Group Shariah Committee of Etiqa Family Takaful Berhad, do hereby confirm that, in our level best, the operation of the Company for the financial year ended 31 December 2018 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

PROF. DR. ABDUL RAHIM ABDUL RAHMAN

Kuala Lumpur, Malaysia
18 February 2019

Building a better working world

Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

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

266243-D

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa Family Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2018, 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 2018, and summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 211.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year ended 31 December 2018 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, Corporate Governance Disclosures 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.

Building a better working world

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Independent auditors' report to the member of Etiqa Family Takaful Berhad (Contd.)
(Incorporated in Malaysia)

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

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.

Building a better working world

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Independent auditors' report to the member of Etiqa Family Takaful Berhad (Contd.)
(Incorporated in Malaysia)

Auditor's Responsibilities for the Audit of the Financial Statements (Contd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the 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.

Building a better
working world

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Independent auditors' report to the member of Etiqa Family Takaful Berhad (Contd.)
(Incorporated in Malaysia)

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

Yeo Beng Yean
No. 03013/10/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
18 February 2019

266243-D

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		31.12.2018			31.12.2017			
	Note	Shareholder's 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
ASSETS								
Property, plant and equipment	3	413	-	413	495	-	-	495
Intangible assets	4	4,934	-	4,934	5,958	-	-	5,958
Investments	5	2,174,152	10,310,238	12,459,457	2,417,505	1,697,348	9,703,198	12,095,470
Financing receivables	6	16,406	-	16,406	17,197	-	-	17,197
Retakaful assets	7	-	73,802	73,802	-	262,168	79,085	79,085
Takaful receivables	8	-	75,591	75,591	-	100,620	78,672	78,672
Other receivables	9	223,762	166,131	206,355	273,148	15,897	260,183	427,383
Deferred tax assets	16	4,126	1,767	5,893	8,219	5,069	3,875	12,094
Current tax assets		34,834	21,181	56,015	-	3,883	20,230	20,230
Cash and bank balances		43,664	103,532	147,196	15,993	33,959	45,419	61,412
		2,502,291	10,752,242	13,046,062	2,738,515	2,118,944	10,190,662	12,797,996
*** Assets classified as held for sale**		-	-	-	-	-	-	2,118,944
Total assets		2,502,291	10,752,242	13,046,062	2,738,515	2,118,944	10,190,662	14,916,940
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS								
Equity								
Share capital	10	100,000	-	100,000	400,000	-	-	400,000
Reserves	11	1,544,746	-	1,540,813	1,362,155	-	-	1,357,922
Total equity		1,644,746	-	1,640,813	1,762,155	-	-	1,757,922
Liabilities and Participants' Funds								
Participants' funds	12	-	3,233,339	3,233,339	-	183,549	2,998,277	2,998,277
Takaful certificate liabilities	13	-	7,053,776	7,032,776	-	1,507,100	6,799,229	6,778,229
Subordinated obligation	14	300,000	-	300,000	300,000	-	-	300,000
Expense liabilities	15	445,941	-	445,941	517,710	-	-	517,710
Takaful payables	17	12,428	33,515	45,943	9,493	82,465	45,220	54,713
Other payables	18	97,987	431,612	346,061	130,253	345,830	347,936	372,241
Profit payable on subordinated obligation	14	1,189	-	1,189	1,189	-	-	1,189
Current tax liabilities		-	-	-	17,715	-	-	17,715
		857,545	10,752,242	11,405,249	976,360	2,118,944	10,190,662	11,040,074
*** Liabilities directly associated with the assets classified as held for sale**		-	-	-	-	-	-	2,118,944
Total liabilities and participants' funds		857,545	10,752,242	11,405,249	976,360	2,118,944	10,190,662	13,159,018
Total equity, liabilities and participants' funds		2,502,291	10,752,242	13,046,062	2,738,515	2,118,944	10,190,662	14,916,940

** In 2017, the Company received the approvals of Bank Negara Malaysia ("BNM") and the Minister of Finance ("MOF") for the proposed separation of the composite takaful business of the Company. This involves the transfer of the general takaful business to a related corporation of the Group, Etiqa General Takaful Berhad ("EGTB"). All the related notes to the Statement of Financial Position for the General Takaful fund are considered as assets and liabilities for the discontinued operation.*

*** Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilties (which have been classified as assets and liabilities held for sale).*

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

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

		2018			2017			
	Note	**Shareholder's 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**
Operating revenue	19	**441,114**	**2,036,241**	**2,135,862**	**780,009**	**1,290,696**	**1,780,935**	**2,266,821**
Gross earned contributions	20	-	1,569,424	1,569,424	-	1,225,432	1,345,132	1,345,132
Earned contributions ceded to retakaful	20	-	(67,953)	(67,953)	-	(123,117)	(63,031)	(63,031)
Net earned contributions	20	-	1,501,471	1,501,471	-	1,102,315	1,282,101	1,282,101
Fee and commission income	21	341,493	1,277	1,277	664,194	19,602	9,906	9,906
Investment income	22	99,621	466,817	566,438	115,815	72,331	435,803	551,618
Realised (losses)/gains	23	(26,364)	(158,172)	(184,536)	24,968	4,171	132,506	157,474
Fair value gains/(losses)	24	14,667	53,759	68,726	-	-	(14,954)	(14,954)
Other operating (expenses)/ income, net	25	-	(1,415)	(1,415)	(6,590)	898	(26,547)	(33,137)
Other revenue		429,417	362,266	450,490	798,387	97,002	536,714	670,907
Gross benefits and claims paid	26	-	(889,852)	(889,852)	-	(768,080)	(763,280)	(763,280)
Claims ceded to retakaful	26	-	47,778	47,778	-	94,916	35,228	35,228
Gross change in certificate liabilities	26	-	(251,244)	(517,711)	-	45,557	(458,644)	(698,957)
Change in certificate liabilities ceded to retakaful	26	-	(5,283)	(5,283)	-	1,582	29,410	29,410
Net benefits and claims		-	(1,098,601)	(1,365,068)	-	(626,025)	(1,157,286)	(1,397,599)
Management expenses	27	(166,216)	(23,617)	(189,833)	(288,889)	-	(26,600)	(160,684)
Change in expense liabilities	30	(21,433)	-	(21,433)	8,878	-	-	10,981
Fee and commission expenses	31	(119,454)	(342,252)	(120,213)	(238,623)	(370,181)	(295,751)	(131,367)
Profit on subordinated obligation		(13,560)	-	(13,560)	(13,560)	-	-	(13,560)
Tax borne by participants	32	-	560	560	-	594	1,697	1,697
Other expenses		(320,663)	(365,309)	(344,479)	(532,194)	(369,587)	(320,654)	(292,933)
Operating profit before surplus transfers		108,754	399,827	242,414	266,193	203,705	340,875	262,476
Surplus transferred to participants' funds		-	(266,467)	-	-	(112,306)	(240,313)	-
Surplus attributable to shareholders		133,360	(133,360)	-	100,562	(91,399)	(100,562)	-
Profit before taxation from continuing operation		242,114	-	242,414	366,755	-	-	262,476
Taxation	32	(50,161)	-	(50,161)	(114,606)	-	-	(65,278)
Zakat		(9,870)	-	(9,870)	(3,719)	-	-	(3,719)
Net profit for the year from continuing operation		182,083	-	182,383	248,430	-	-	193,479
Discontinued Operation								
Surplus transferred from General business		-	-	-	91,399	-	-	195,678
Taxation for discontinued operation	32	-	-	-	-	-	-	(49,328)
Net profit for the year from discontinued operation		-	-	-	91,399			146,350
		182,083	-	182,383	339,829	-	-	339,829
Basic and diluted earnings per share (sen) from:								
- Continuing operation	33			110.58				48.37
- Discontinued operation	33			-				36.59

** In 2017, the Company received the approvals of BNM and MOF for the proposed separation of the composite takaful business of the Company. This involves the transfer of the general takaful business to a related corporation of the Group, EGTB. All the related notes to the Income Statement for the General Takaful fund are considered as discontinued operation.*
*** Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful fund's income and expenses (which have been classified as net profit from discountinued operation).*

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

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Shareholder's fund RM'000	2018 Family takaful fund RM'000	2018 Company RM'000	2017 Shareholder's fund RM'000	2017 * General takaful fund RM'000	2017 Family takaful fund RM'000	2017 ** Company RM'000
Net profit for the year								
- Continuing operation		182,083	-	182,383	248,430	-	-	193,479
- Discontinued operation		-	-	-	91,399	-	-	146,350
		182,083	-	182,383	339,829	-	-	339,829
Other comprehensive income:								
Item that may be subsequently reclassified to income statement								
Net (losses)/gains on Fair Value through Other Comprehensive Income ("FVOCI") / Available-for-sale ("AFS") financial assets:								
Gains on fair value changes		673	32,480	33,153	24,001	13,801	68,640	90,781
Realised losses/(gain) transferred to income statement	23	-	- (3,828)	(3,828)	(24,968)	(4,171)	(109,363)	(134,331)
Tax effects relating to components of other comprehensive income	16	(161)	(1,811)	(1,972)	232	(2,311)	2,513	2,745
Other comprehensive income/(loss) attributable to participants		-	(26,841)	(26,841)	-	(7,319)	38,210	38,210
Other comprehensive income/(loss) for the year, net of tax		512	-	512	(735)	-	-	(2,595)
Total comprehensive income for the year		182,595	-	182,895	339,094	-	-	337,234

** In 2017, the Company received the approvals of BNM and MOF for the proposed separation of the composite takaful business of the Company. This involves the transfer of the general takaful business to a related corporation of the Group, EGTB. All the related notes to the for the General Takaful fund are considered as income and expenditure for the discontinued operation.*
*** Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses (which have been classified as net profit from discontinued operation).*

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

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

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

		Attributable to Equity Holder of the Company			
			Non-Distributable	Distributable	
	Note	Share Capital RM'000	FVOCI / AFS Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2018		400,000	(25,050)	1,382,972	1,757,922
Effect on adoption of MFRS 9		-	25,050	(25,054)	(4)
At 1 January 2018 (as restated)		400,000	-	1,357,918	1,757,918
Net profit after tax for the year		-	-	182,383	182,383
Other comprehensive income for the year		-	512	-	512
Total comprehensive income for the year		-	512	182,383	182,895
Capital reduction	47	(300,000)	-	-	(300,000)
At 31 December 2018		100,000	512	1,540,301	1,640,813
At 1 January 2017		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	34	-	-	(350,000)	(350,000)
At 31 December 2017		400,000	(25,050)	1,382,972	1,757,922

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

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

CASH FLOW FROM OPERATING ACTIVITIES	1.1.2018 to 31.12.2018 RM'000	1.1.2017 to 31.12.2017 RM'000
Profit before taxation and zakat:		
- Continuing operation	242,414	366,755
- Discontinued operation	-	91,399
	242,414	458,154
Adjustments for:		
Depreciation of property, plant and equipment	197	293
Amortisation of intangible assets	653	750
Fair value (gains)/losses on investments	(68,726)	14,954
Realised losses/(gains) on disposal of investments	184,532	(161,645)
Realised losses on property, plant and equipment	4	-
Allowance of impairment losses on investments	219	29,724
Allowance/(write back) of impairment losses on takaful receivables	420	(698)
Allowance of impairment losses on other receivables	11	1,080
Allowance of impairment losses on financing receivables	228	1,438
Allowance of impairment losses on retakaful assets	-	4
Takaful receivables written off	1,033	-
Property, plant and equipment written off	292	-
Intangible asset written off	3,139	-
Profit income	(554,058)	(615,227)
Finance cost	13,560	13,560
Gross dividend/distribution income	(21,091)	(23,557)
Net amortisation of premiums	5,424	11,161
Decrease in net contribution liabilities	-	(25,484)
Surplus transferred to participant's fund:		
- general takaful fund	-	112,306
- family takaful fund	266,467	240,313
Operating cash flows before working capital changes	74,718	57,126
Changes in working capital:		
Proceeds from sale of investments	5,506,762	6,916,264
Purchase of investments	(5,858,121)	(7,463,083)
Decrease/(increase) in takaful receivables	1,628	(28,497)
Decrease/(increase) in other receivables	158,301	(181,952)
(Decrease)/increase in takaful payables	(8,770)	29,427
Increase in other payables	(137,325)	23,768
Decrease in expense liabilities	66,147	(8,878)
Decrease/(increase) in financing receivables	563	(1,264)
(Increase)/decrease in placements of deposits with financial institutions	(106,560)	196,735
Increase/(decrease) in retakaful assets	5,283	(30,996)
Increase in claims liabilities	254,547	412,633
Operating cash flows after working capital changes	(42,827)	(78,717)

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTD.)

	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017
CASH FLOW FROM OPERATING ACTIVITIES (CONTD.)	**RM'000**	**RM'000**
Profit income received	539,315	604,866
Gross dividend/distribution income received	20,944	24,372
Zakat paid	(3,766)	(3,719)
Taxation paid	(98,870)	(103,704)
Tax refund	-	-
Hibah paid to participants	(12,273)	(135,896)
Net cash flows generated from operating activities	402,523	307,202
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(2,768)	(963)
Purchase of property, plant and equipment	(411)	(335)
Proceeds on sale of property, plant and equipment	-	-
Net cash flows used in investing activities	(3,179)	(1,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital reduction	(300,000)	-
Dividend paid	-	(350,000)
Profit paid on subordinated obligation	(13,560)	(13,560)
Net cash flows used in financing activities	(313,560)	(363,560)
Increase/(decrease) in cash and cash equivalents	85,784	(57,656)
Cash and cash equivalents at beginning of year	61,412	153,027
Assets classified as held for sale	-	(33,959)
Cash and cash equivalents at end of year	147,196	61,412
Cash and cash equivalents comprise:		
Cash and bank balances of:		
Shareholder's fund	43,664	15,993
Family takaful fund	103,532	45,419
	147,196	61,412

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

1. CORPORATE INFORMATION

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

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.

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 management of family takaful and takaful investment-linked business.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 February 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statements

(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.

The Company has adopted those MFRSs and Amendments to MFRSs effective for the annual periods beginning on or after 1 January 2018 as disclosed in Note 2.3.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(a) Statement of compliance (Contd.)

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 operation 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(b) Basis of measurement

The financial statements of the 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(xiii)
- Family takaful certificate liabilities — Note 2.2(xiv)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(i) Property, plant and equipment and depreciation

All items of property and equipment are initially recorded at cost. The cost 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ii) Leases

(a) 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.

(b) 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.

(iii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Intangible assets (Contd.)

(a) 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.

(iv) Financial assets

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

(a) Classification of financial assets before 1 January 2018

The Company and takaful funds determine the classification of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Financial assets (Contd.)

(a) Classification of financial assets before 1 January 2018 (Contd.)

(i) Financial assets at FVTPL (Contd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at 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(vii) and Note 2.2(viii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Financial assets (Contd.)

(a) Classification of financial assets before 1 January 2018 (Contd.)

(iii) AFS financial assets (Contd.)

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.

(b) Classification of financial assets after 1 January 2018

Upon the implementation of MFRS 9 *Financial Instruments* on 1 January 2018, the Company determines the classification of financial assets at initial recognition depending on the business model used for managing the financial assets as in Note 2.2 (iv)(c) and the contractual cash flows characteristics of the financial assets as in Note 2.2 (iv)(d). The categories include financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost ("AC").

(i) Financial Assets at FVTPL

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Financial assets (Contd.)

(b) Classification of financial assets after 1 January 2018 (Contd.)

(ii) Financial Assets at FVOCI

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

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. 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. Other net gain and losses are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. On derecognition, gain or lossess accumulated in other comprehensive income are reclassified to profit or loss.

(iii) Financial Assets at AC

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Financial assets (Contd.)

(c) Business model assessment

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

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

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

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

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

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

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

1. Determined by the Company's senior management as a result of external or internal changes;
2. Significant to the Company's operations; and
3. Demonstrable to external parties.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Financial assets (Contd.)

(c) Business model assessment (Contd.)

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

(d) The SPPI test

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

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

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

(e) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(v) Fair value of financial assets

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

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

For non-exchange traded financial assets such as unquoted fixed income securities, i.e., unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb 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.

Over-the-counter derivatives comprise foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Impairment

(a) Impairment of financial assets before 1 January 2018

The Company and the takaful funds assess 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.

<u>Takaful receivables</u>

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Impairment (Contd.)

(a) Impairment of financial assets before 1 January 2018 (Contd.)

Takaful receivables (Contd.)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Impairment (Contd.)

(a) Impairment of financial assets before 1 January 2018 (Contd.)

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.

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.

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) Impairment of financial assets after 1 January 2018

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Impairment (Contd.)

(b) Impairment of financial assets after 1 January 2018 (Contd.)

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, financing, takaful receivables, debts instruments and deposits 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* .

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

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

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 generally be required to apply a 'three-stage' approach based on the change in credit quality since initial recognition:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Impairment (Contd.)

(b) Impairment of financial assets after 1 January 2018 (Contd.)

Forward-looking information and ECL measurement

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

Loan, advance and financing

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

Takaful receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Impairment (Contd.)

(b) Impairment of financial assets after 1 January 2018 (Contd.)

Financial assets at FVOCI and AC

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

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

- Financial assets measured at FVTPL;
- Equity instruments;
- Local federal government and local central bank issued bonds, Treasury Bills and Notes are considered low credit risk that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities in all jurisdictions in which the Company and the takaful funds operate.

(c) Non-financial assets

The Company and the takaful funds assess 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Impairment (Contd.)

(c) Non-financial assets (Contd.)

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

(vii) Retakaful assets

The Company and the takaful fund, 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 and the takaful fund 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(xi) 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 and takaful funds assess whether objective evidence exists that retakaful assets are impaired. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) 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 an takaful receivable is impaired, the Company and the takaful funds reduce 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(vi).

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

(ix) Cash and cash equivalents

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

(x) Equity instruments

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

(xi) Product classification

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xi) Product classification (Contd.)

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 and the takaful funds define 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 risk accepted is deemed to be significant.

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

Takaful certificate 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 and the takaful funds may exercise its discretion as to the quantum and timing of payments to certificate holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within takaful certificate liabilities as at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xi) Product classification (Contd.)

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 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 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.

(xii) Shareholder's fund

<u>Expense liabilities</u>

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.

(a) 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.

(1) Provision for unearned wakalah fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xii) Shareholder's fund (Contd.)

Expense liabilities (Contd.)

(a) Expense liabilities of general takaful fund (Contd.)

(2) Unexpired expense reserves

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

(b) 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.

(c) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiii) General takaful fund

The general takaful fund is maintained in accordance with the IFSA 2013 and consists of FVOCI/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.

(a) 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.

(b) General takaful certificate liabilities

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

<u>Contribution liabilities</u>

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiii) General takaful fund (Contd.)

(b) General takaful certificate liabilities (Contd.)

Contribution liabilities (Contd.)

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.

Unearned contribution reserves ("UCR")

UCR represent the portion of the contributions of takaful certificates written, that relate to the unexpired periods of the certificates at the reporting date.

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

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

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

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

Wakalah

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiii) General takaful fund (Contd.)

(b) General takaful certificate liabilities (Contd.)

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 comprise the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate value and include a PRAD as prescribed by BNM.

Provision for claims reported 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.

(c) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiii) General takaful fund (Contd.)

(d) Benefits and 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.

(e) Commission expenses and 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.

<u>Mudharabah principle</u>
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.

<u>Wakalah principle</u>
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.

(xiv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) Family takaful fund (Contd.)

(a) 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.

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.

(b) 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) Family takaful fund (Contd.)

(c) Commission expenses and 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.

(d) Family takaful certificate liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) Family takaful fund (Contd.)

(d) Family takaful certificate liabilities (Contd.)

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

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

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

For a yearly renewable family certificate covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis. For a yearly renewable policies covering other contingencies such as medical benefits, the recognised liabilities comprise the best estimate contribution and claim liabilities with an appropriate allowance for PRAD.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) 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.

(xvi) Financial liabilities

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

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. During the financial year 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) 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.

(xviii) 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.

(xix) Other revenue recognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xix) Other revenue recognition (Contd.)

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

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

(a) Profit income

Profit income is recognised using the effective yield method over the term of the underlying investments.

(b) Dividend income

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

(c) Fund management fees

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

(e) Management Fees

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

(f) Wakalah fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxii) Fee and Commission Income

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

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

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

(xxii) Employee benefits

(a) 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.

(b) Defined contribution plan

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxii) Employee benefits (Contd.)

(c) Share-based compensation

(1) 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.

(2) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxii) Employee benefits

(c) Share-based compensation (Contd.)

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

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

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

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

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

(xxiii) Foreign currencies

(a) Functional and Presentation Currency

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

The financial statements are presented in RM, which is also the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxiii) Foreign currencies (Contd.)

(b) 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.

(xxiv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxiv) Income tax (Contd.)

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.

(xxv) 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%.

2.3 Amendments to MFRS

At the beginning of the current financial year, the Company adopted the following MFRSs, amendments to MFRSs and annual improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2018:

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

The Company do not have significant financial implications in the adoption of the MERSs, amendments to MFRSs and annual improvements to MFRSs in the financial statements other than as disclose in note 2.5.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

The following are Standards, Amendments to Standards, Issues Committe ("IC") Intepretations 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:

Description	**Effective for annual periods beginning on or after**
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 do not expect that the adoption of the above pronouncements will have financial implications in future financial statements other than disclosed below:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)

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.

(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 Company and the takaful funds are 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.

The Company has chosen to apply the standard using the modified restropective approach and has established a project team to study the implication. The final impacts are still being assessed and will be adjusted as necessary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)

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 at every reporting period (the fulfilment cash flows).

- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period).

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit or loss, but are recognised directly on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)

MFRS 17 *Insurance Contracts (Contd.)*

- 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 based on a 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 9 *Financial Instruments*

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and Takaful certificates liabilities on the date of adoption (i.e. 1 January 2018). Details of the changes as described in Note 2.2 (iv) and (vi).

(a) Clasification of financial assets and financial liabilities on the date of initial application

The following table shows the original measurement categorised in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018.

	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Financial assets					
Malaysian government papers	**A**	AFS	FVTPL	226,964	226,964
Malaysian government papers	**B**	AFS	FVOCI	57,280	57,280
Malaysian government papers	**B**	HFT/FVTPL	FVTPL	145,513	145,513
Debt securities	**A**	AFS	FVTPL	2,152,577	2,152,577
Debt securities	**B**	AFS	FVOCI	2,727,583	2,727,583
Debt securities	**B**	HFT/FVTPL	FVTPL	4,925,791	4,925,791
Equity securities	**C**	AFS	FVTPL	981,505	981,505
Equity securities	**C**	HFT/FVTPL	FVTPL	56,308	56,308
Unit and property trust funds	**C**	AFS	FVTPL	635	635
Unit and property trust funds	**C**	HFT/FVTPL	FVOCI	508	508
Negotiable Islamic certificates of deposit	**B**	AFS	FVOCI	19,719	19,719

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 9 *Financial Instruments (Contd.)*

(a) Clasification of financial assets and financial liabilities on the date of initial application (Contd.)

	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Financial assets (contd.)					
Negotiable Islamic certificates of deposit	**B**	HFT/FVTPL	FVTPL	108,438	108,438
Deposits with financial institutions	**D**	LAR	FVTPL	17,700	17,700
Deposits with financial institutions		LAR	AC	674,949	674,949
Financing receivables		LAR	AC	17,197	17,192
Other receivables		LAR	AC	427,383	427,383
				12,540,050	12,540,045
Financial liabilities					
Other payables		LAR	AC	372,241	372,241
				372,241	372,241

Note:

A Malaysian government papers and debt securities for Family Shareholders' fund of RM226.9 million and RM2.15 billion respectively are classified as financial assets as FVTPL. The objective of holding these instruments is to support the expense liabilities arising from the family business. In addition, perpetual bonds are measured at FVTPL as per the issuer classification under MFRS 9.

B These instruments are managed within a business model of collecting contractual cash flows (SPPI test) and selling the financial assets. Malaysian government papers and debt securities are held to meet everyday liquidity needs. The Company seek to minimise the costs of managing liquidity needs and therefore actively manage the return on the portfolio. Returns consist of collecting contractual payments as well as gains and losses from the sale of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 9 *Financial Instruments (Contd.)*

(a) Clasification of financial assets and financial liabilities on the date of initial application (Contd.)

C Equity securities are measure at FVTPL under MFRS 9 as these instruments do not meet SPPI test and neither the Company has elected to measure at FVOCI. In addition, the impact of adopting MFRS 9 on non-trading equity (i.e. unquoted share) is the instruments to be measured at FVTPL. The valuation is made reference to the net tangible assets based on latest available audited financial statements of the company. Previously, these shares were measured at cost.

D All financial assets under investment-linked business are mandatory to be measured at FVTPL which is to provide the policyholders with the potential investment returns in line with the investment mandate. As such the deposits with financial institution (which was previously classified as loans and receivables and approximate to fair value) are now classified as financial assets measure at FVTPL under MFRS 9.

(b) Changes in disclosure - MFRS 7

To reflect the differences between MFRS 9 and MFRS 139, MFRS 7 *Financial Instruments: Disclosures* was also amended. The Company applied the amended disclosure requirements, together with MFRS 9, for the year beginning from 1 January 2018. Detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Notes 2.2 (iv) and (vi). Reconciliations from opening to closing ECL allowances are presented in Notes 42 (i).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 9 *Financial Instruments (Contd.)*

(c) Financial effects arising from adoption of MFRS 9 Financial Instruments

(i) The adoption of MFRS 9 resulted in the following financial effects to the related statement of financial position items of the Company:

	31 December 2017 RM'000	Classification and measurement RM'000	ECL RM'000	1 January 2018 RM'000
Shareholder's fund				
Assets				
Financing receivables	17,197	-	(5)	17,192
Deferred tax assets	8,219	-	1	8,220
Equities				
AFS Reserve	(20,817)	25,050	-	4,233
Retained earnings	1,382,972	(25,050)	(4)	1,357,918
Family takaful fund				
Assets				
Takaful receivables	78,672	-	(1,259)	77,413
Liabilities				
Participants' funds				
- Accumulated surplus	1,723,241	(3,711)	(2,577)	1,716,953
- AFS Reserves	(28,401)	28,401	-	-
- FVOCI Reserves	-	(24,690)	1,318	(23,372)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 9 *Financial Instruments (Contd.)*

(c) Financial effects arising from adoption of MFRS 9 Financial Instruments (Contd.)

(ii) The following table analyses the impact, net of tax, of transition to MFRS 9 on the opening balance of reserve, retained earnings and Participants' funds of the Company:

Company **Retained earnings**		**RM'000**
Closing balance as at 31 December 2017		1,382,972
Transfer from AFS reserve	(20,817)	
Elimination	(4,233)	(25,050)
Recognition of ECL		(5)
Deferred tax in respect of ECL		1
Opening balance as at 1 January 2018		1,357,918

Family Takaful fund/Company **Participants' funds - Accumulated surplus**	**RM'000**
Closing balance as at 31 December 2017	1,723,241
Transfer from AFS/FVOCI reserve	(3,711)
Recognition of ECL	(2,577)
Opening balance as at 1 January 2018	1,716,953

Participants' funds - AFS/FVOCI reserve	**RM'000**
Closing Balance as at 31 December 2017	(28,401)
Transfer to Participant Fund - Accumulated Surplus	3,711
Recognition of ECL	1,318
Opening balance as at 1 January 2018	(23,372)

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

2018	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Work In Progress RM'000	Total RM'000
Cost					
At 1 January 2018	3,727	743	323	292	5,085
Additions	395	16	-	-	411
Retirement	-	(178)	-	(292)	(470)
At 31 December 2018	4,122	581	323	-	5,026
Accumulated Depreciation					
At 1 January 2018	3,524	743	323	-	4,590
Charge for the year	193	4	-	-	197
Retirement	-	(174)	-	-	(174)
At 31 December 2018	3,717	573	323	-	4,613
Net Book Value					
At 31 December 2018	405	8	-	-	413
2017					
Cost					
At 1 January 2017	3,879	745	323	-	4,947
Additions	43	-	-	292	335
Retirement	(195)	(2)	-	-	(197)
At 31 December 2017	3,727	743	323	292	5,085
Accumulated Depreciation					
At 1 January 2017	3,421	733	323	-	4,477
Charge for the year	281	12	-	-	293
Retirement	(178)	(2)	-	-	(180)
At 31 December 2017	3,524	743	323	-	4,590
Net Book Value					
At 31 December 2017	203	-	-	292	495

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

General takaful fund

	Furniture, fittings, office equipment and renovations RM'000
2017	
Cost	
At 1 January 2017	23
At 31 December 2017	23
Accumulated Depreciation	
At 1 January 2017	23
At 31 December 2017	23
Net Book Value	
At 31 December 2017	-

Family takaful fund

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
2018/2017			
Cost			
At 1 January/31 December	33	5	38
Accumulated Depreciation			
At 1 January/31 December	33	5	38
Net Book Value			
At 1 January/31 December	-	-	-

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Work In Progress RM'000	Total RM'000
2018					
Cost					
At 1 January 2018	3,760	748	323	292	5,123
Additions	395	16	-	-	411
Retirement	-	(178)	-	(292)	(470)
At 31 December 2018	4,155	586	323	-	5,064
Accumulated depreciation					
At 1 January 2018	3,557	748	323	-	4,628
Charge for the year	193	4	-	-	197
Retirement	-	(174)	-	-	(174)
At 31 December 2018	3,750	578	323	-	4,651
Net Book Value					
At 31 December 2018	405	8	-	-	413
2017					
Cost					
At 1 January 2017	3,912	750	323	-	4,985
Additions	43	-	-	292	335
Retirement	(195)	(2)	-	-	(197)
At 31 December 2017	3,760	748	323	292	5,123
Accumulated depreciation					
At 1 January 2017	3,454	738	323	-	4,515
Charge for the year	281	12	-	-	293
Retirement	(178)	(2)	-	-	(180)
At 31 December 2017	3,557	748	323	-	4,628
Net Book Value					
At 31 December 2017	203	-	-	292	495

4. INTANGIBLE ASSETS

Shareholder's fund

2018	Computer software and licences RM'000	Software development in progress costs RM'000	Total RM'000
Cost			
At 1 January 2018	14,508	1,337	15,845
Additions	2,768	-	2,768
Retirement	(3,621)	(1,337)	(4,958)
At 31 December 2018	13,655	-	13,655
Accumulated amortisation			
At 1 January 2018	9,887	-	9,887
Amortisation charge for the year	653	-	653
Retirement	(1,819)	-	(1,819)
At 31 December 2018	8,721	-	8,721
Net Book Value			
At 31 December 2018	4,934	-	4,934
2017			
Cost			
At 1 January 2017	14,157	725	14,882
Additions	351	612	963
At 31 December 2017	14,508	1,337	15,845
Accumulated amortisation			
At 1 January 2017	9,137	-	9,137
Amortisation charge for the year	750	-	750
At 31 December 2017	9,887	-	9,887
Net Book Value			
At 31 December 2017	4,621	1,337	5,958

4. INTANGIBLE ASSETS (CONTD.)

General takaful fund

2017	**Computer software and licences RM'000**
Cost	
At 1 January 2017	5,536
At 31 December 2017	5,536
Accumulated amortisation	
At 1 January 2017	5,536
At 31 December 2017	5,536
Net Book Value	
At 31 December 2017	-

Family takaful fund

	Computer software and licences RM'000
2018/2017	
Cost	
At 1 January/31 December	9,020
Accumulated amortisation	
At 1 January/31 December	9,020
Net Book Value	
At 1 January/31 December	-

4. INTANGIBLE ASSETS (CONTD.)

Company

2018	Computer software and licences RM'000	Software development in progress costs RM'000	Total RM'000
Cost			
At 1 January 2018	23,528	1,337	24,865
Additions	2,768	-	2,768
Retirement	(3,621)	(1,337)	(4,958)
At 31 December 2018	22,675	-	22,675
Accumulated amortisation			
At 1 January 2018	18,907	-	18,907
Amortisation charge for the year	653	-	653
Retirement	(1,819)	-	(1,819)
At 31 December 2018	17,741	-	17,741
Net book value			
At 31 December 2018	4,934	-	4,934
2017			
Cost			
At 1 January 2017	23,177	725	23,902
Additions	351	612	963
At 31 December 2017	23,528	1,337	24,865
Accumulated amortisation			
At 1 January 2017	18,157	-	18,157
Amortisation charge for the year	750	-	750
At 31 December 2017	18,907	-	18,907
Net book value			
At 31 December 2017	4,621	1,337	5,958

5. INVESTMENTS

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Malaysian government papers	139,078	342,724	481,802
Debt securities	1,758,009	8,799,859	10,557,868
Equity securities	80,279	540,033	620,312
Unit and property trust funds	-	266	266
Investment-linked units	24,933	-	-
Deposits with financial institutions	171,853	627,356	799,209
	2,174,152	10,310,238	12,459,457

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
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
	2,417,505	1,697,348	9,703,198	12,095,470

5. INVESTMENTS (CONTD.)

In 2017, 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:

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

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

2018	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
Fair value through profit or loss ("FVTPL"):			
- Designated upon initial recognition	1,621,808	5,882,543	7,504,351
- Held for trading ("HFT")	105,212	584,125	664,404
Fair value through other comprehensive income ("FVOCI")	275,279	3,216,214	3,491,493
Amortised cost ("AC")	171,853	627,356	799,209
	2,174,152	10,310,238	12,459,457

2017	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Fair value through profit or loss ("FVTPL"):				
- Designated upon initial recognition	-	-	5,156,269	5,156,269
- Held for trading ("HFT")	-	-	80,289	80,289
Available-for-sale ("AFS")	2,307,833	1,495,097	3,883,663	6,166,263
Loans and receivables ("LAR")	109,672	202,251	582,977	692,649
	2,417,505	1,697,348	9,703,198	12,095,470

5. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
FVTPL			
- Designated upon initial recognition	1,606,768	5,661,486	7,268,254
- HFT	-	43,826	43,826
FVOCI	175,518	3,159,635	3,335,153
	1,782,286	8,864,947	10,647,233

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
FVTPL				
- Designated upon initial recognition	-	-	4,916,895	4,916,895
- HFT	-	-	23,473	23,473
AFS	2,152,794	1,371,938	2,956,574	5,109,368
	2,152,794	1,371,938	7,896,942	10,049,736

(i) FVTPL
- Designated upon initial recognition

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
At fair value:			
Malaysian government papers	109,211	168,858	278,069
Unquoted debt securities in Malaysia	1,512,597	5,713,685	7,226,282
	1,621,808	5,882,543	7,504,351

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
At fair value:				
Malaysian government papers	-	-	140,809	140,809

5. INVESTMENTS (CONTD.)

(i) FVTPL (Contd.)

- Held For Trading

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
At fair value:			
Malaysian government papers	-	7,020	7,020
Unquoted debt securities in Malaysia	-	36,806	36,806
Quoted equity securities in Malaysia	80,279	540,033	620,312
Quoted unit and property trust funds in Malaysia	24,933	266	266
	105,212	584,125	664,404

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
At fair value:				
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
	-	-	80,289	80,289

(ii) FVOCI

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
At fair value:			
Malaysian government papers	29,867	166,846	196,713
Unquoted debt securities in Malaysia	245,412	3,049,368	3,294,780
	275,279	3,216,214	3,491,493

5. INVESTMENTS (CONTD.)

(ii) FVOCI (Contd.)

AFS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
At fair value:				
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
	2,307,833	1,495,097	3,883,663	6,166,263

(iii) AC

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed financial institutions	118,981	529,330	648,311
Others	52,872	98,026	150,898
	171,853	627,356	799,209

5. INVESTMENTS (CONTD.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
(iii) AC (Contd.)				
LAR				
2017				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	73,120	177,154	512,387	585,507
Others	36,552	25,097	70,590	107,142
	109,672	202,251	582,977	692,649

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

Included in AC/LAR financial assets are assets pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic Berhad which amounted to RM3,000,000 (2017: 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 45.

6. FINANCING RECEIVABLES

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Staff loans:			
Secured	16,196	-	16,196
Others	2,663	16	2,679
Allowance for impairment losses (Note 42)	(2,453)	(16)	(2,469)
	16,406	-	16,406
Receivable after 12 months	15,128	-	15,128

6. FINANCING RECEIVABLES (CONTD.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
Corporate loans	-	3,331	-	-
Staff loans:				
Secured	16,464	-	-	16,464
Others	2,952	-	11	2,963
Allowance for impairment losses (Note 42)	(2,219)	(3,331)	(11)	(2,230)
	17,197	-	-	17,197
Receivable after 12 months	14,921	-	-	14,921

The carrying amounts approximate 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 3.53% (2017: 4.61%) per annum.

7. RETAKAFUL ASSETS

	2018 RM'000	2017 RM'000
Retakaful operators' share of:		
General takaful fund		
General takaful certificate liabilities (Note 13(a))	-	262,172
Claims liabilities	-	217,096
Contribution liabilities	-	45,076
Allowance for impairment losses in relation to to general takaful certificate liabilities (Note 42)	-	(4)
	-	262,168
Family takaful fund		
Family takaful certificate liabilities (Note 13(b))	73,802	79,085
Claims liabilities	10,772	9,445
Actuarial liabilities	63,030	69,640
Company	73,802	79,085

8. TAKAFUL RECEIVABLES

	Family takaful fund RM'000	Company RM'000
2018		
Due contributions including agents/brokers and co-takaful balances	65,991	65,991
Due from retakaful operators	13,571	13,571
	79,562	79,562
Allowance for impairment losses (Note 42)	(3,971)	(3,971)
	75,591	75,591

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017			
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

Certain takaful receivables have been offset against amount due to the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amount recognised in Takaful Payables offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
(a) General takaful fund			
2017			
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
	128,173	(21,388)	106,785

8. TAKAFUL RECEIVABLES (CONTD.)

Certain takaful receivables have been offset against amount due to the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amount recognised in Takaful Payables offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
(b) Family takaful fund/Company			
2018			
Due contributions including agents/ brokers and co-takaful balances	65,991	-	65,991
Due from retakaful operators	40,126	(26,555)	13,571
	106,117	(26,555)	79,562
2017			
Due contributions including agents/ brokers and co-takaful balances	69,963	-	69,963
Due from retakaful operators	44,470	(33,469)	11,001
	114,433	(33,469)	80,964

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 RM806,109 (2017: RM409,847). The receivable amounts are subject to settlement terms stipulated in the takaful contracts.

9. OTHER RECEIVABLES

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Sundry receivables, deposits and prepayments	12,830	625	13,455
Allowance for impairment losses (Note 42)	(2,303)	(508)	(2,811)
	10,527	117	10,644
Investment profit and dividend receivable	24,056	119,498	143,554
Amounts due from Family takaful fund *	183,538	-	-
Amounts due from stockbrokers	5,641	46,516	52,157
	223,762	166,131	206,355

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
Sundry receivables, deposits and prepayments	5,437	151	630	6,067
Allowance for impairment losses (Note 42)	(2,317)	-	(510)	(2,827)
	3,120	151	120	3,240
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
	273,148	15,897	260,183	427,383

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 are non-trade in nature, unsecured, not subject to any profit elements and are repayable upon demand.

Included in sundry receivables, deposits and prepayments and income due and accrued are balances due from related parties amounting to RM9,113,865 and RM384,804 (2017: RM10,376,000 and RM589,000) respectively.

10. SHARE CAPITAL

Shareholder's fund/Company	No. of shares '000	Amount RM'000
Issued and fully paid:		
Ordinary shares		
2018		
At 1 January 2018	400,000	400,000
Capital reduction (Note 47)	(300,000)	(300,000)
At 31 December 2018	100,000	100,000
2017		
At 1 January 2017/31 December 2017	400,000	400,000

11. RESERVES

	Shareholder's fund RM'000	Company RM'000
2018		
Non-distributable:		
FVOCI reserves	512	512
Distributable:		
Retained profits	1,544,234	1,544,234
Less: Seed money elimination	-	(3,933)
	1,544,234	1,540,301
	1,544,746	1,540,813
2017		
Non-distributable:		
AFS reserves	(20,817)	(20,817)
Less: Seed money elimination	-	(4,233)
	(20,817)	(25,050)
Distributable:		
Retained profits	1,382,972	1,382,972
	1,362,155	1,357,922

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

12. PARTICIPANTS' FUND

	Family takaful fund RM'000	Company RM'000
2018		
Participants' fund	3,233,339	3,233,339

	General takaful fund RM'000 (Note (a))	Family takaful fund RM'000 (Note (b))	Company RM'000
2017			
Participants' fund	183,549	2,998,277	2,998,277

	2017 RM'000
(a) General takaful fund	
Accumulated surplus	196,302
AFS reserves	(12,753)
	183,549
(i) Accumulated surplus	
At 1 January 2017	175,393
Surplus arising during the year	112,306
Hibah paid to participants during the year	(91,397)
At 31 December 2017	196,302
(ii) AFS reserves	
At 1 January 2017	(20,072)
Net gain on fair value changes	13,801
Realised gain transferred to income statement (Note 23)	(4,171)
Deferred tax on fair value changes (Note 16)	(2,311)
At 31 December 2017	(12,753)

12. PARTICIPANTS' FUND (CONTD.)

	2018 RM'000	2017 RM'000
(b) Family takaful fund		
Accumulated surplus	1,783,530	1,723,241
Surplus attributable to participants	1,446,340	1,303,437
FVOCI/AFS reserves	3,469	(28,401)
	3,233,339	2,998,277
(i) Accumulated surplus		
At 1 January	1,723,241	2,738,884
Effect on adoption of MFRS 9	(6,288)	-
At 1 January (as restated)	1,716,953	2,738,884
Surplus arising during the year	266,467	240,313
Transfer to Shareholder's Fund - Expense Liabilities (Note 15)	(44,714)	-
Surplus attributable to participants during the year	(142,903)	(1,227,855)
Hibah paid to participants during the year	(12,273)	(28,101)
At 31 December	1,783,530	1,723,241
(ii) Surplus attributable to participants		
At 1 January	1,303,437	75,582
Surplus attributable to participants during the year	142,903	1,227,855
At 31 December	1,446,340	1,303,437
(iii) FVOCI/AFS reserves		
At 1 January	(28,401)	9,809
Effect on adoption of MFRS 9	5,029	-
At 1 January (as restated)	(23,372)	9,809
Net gain on fair value changes	32,480	68,640
Realised gain transferred to income statement (Note 23)	(3,828)	(109,363)
Deferred tax on fair value changes (Note 16)	(1,811)	2,513
At 31 December	3,469	(28,401)

13. TAKAFUL CERTIFICATE LIABILITIES

Takaful funds and Company	Gross RM'000	Retakaful assets RM'000 (Note 7)	Net RM'000
2018			
Family takaful fund (Note (b))	7,053,776	(73,802)	6,979,974
Less: Seed money elimination	(21,000)	-	(21,000)
Company	7,032,776	(73,802)	6,958,974
2017			
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	6,778,229	(79,085)	6,699,144

(a) General takaful fund

	Gross RM'000	Retakaful assets RM'000	Net RM'000
2017			
Claims liabilities (Note (i))	932,652	(217,096)	715,556
Contribution liabilities (Note (ii))	574,448	(45,076)	529,372
	1,507,100	(262,172)	1,244,928

(i) Claims liabilities

	Gross RM'000	Retakaful assets RM'000	Net RM'000
2017			
At 1 January 2017	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 2017	932,652	(217,096)	715,556

13. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(a) General takaful fund (CONTD.)

(ii) Contribution liabilities

	Gross RM'000	Retakaful assets RM'000	Net RM'000
2017			
At 1 January 2017	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 2017	574,448	(45,076)	529,372

(b) Family takaful fund

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

	Gross RM'000	Retakaful assets RM'000	Net RM'000
2018			
Claims liabilities (Note (ii))	155,436	(10,772)	144,664
Actuarial liabilities (Note (ii))	6,734,718	(63,030)	6,671,688
NAV attributable to unit holders (Note (ii))	163,622	-	163,622
	7,053,776	(73,802)	6,979,974
2017			
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
	6,799,229	(79,085)	6,720,144

13. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(b) Family takaful fund (CONTD.)

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

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
2018						
At 1 January 2018	163,743	6,529,879	105,607	6,799,229	(79,085)	6,720,144
Net earned contribution	-	-	99,662	99,662	(67,953)	31,709
Other revenue	-	-	4,571	4,571	-	4,571
Experience/benefit variation	3,304	-	(1)	3,303	20,175	23,478
Claims intimated during the year	850,954	(850,954)	-	-	(1,327)	(1,327)
Claims paid during the year	(862,565)	-	(27,287)	(889,852)	47,778	(842,074)
Other expenses	-	-	(20,301)	(20,301)	-	(20,301)
Taxation	-	-	1,371	1,371	-	1,371
Increase in certificate reserves	-	1,055,793	-	1,055,793	6,610	1,062,403
At 31 December 2018	155,436	6,734,718	163,622	7,053,776	(73,802)	6,979,974

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13. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(b) Family takaful fund (CONTD.)

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

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
2017						
At 1 January 2017	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 2017	163,743	6,529,879	105,607	6,799,229	(79,085)	6,720,144

14. SUBORDINATED OBLIGATION

Shareholder's fund/Company

	2018 RM'000	2017 RM'000
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 300,480,000 (2017: RM 300,684,000) 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.

15. EXPENSE LIABILITIES

Shareholder's fund/Company	2018 RM'000	2017 RM'000
UWF of general takaful fund	-	137,916
UER of family takaful fund	445,941	379,794
	445,941	517,710

15. EXPENSE LIABILITIES (CONTD.)

	Family takaful fund RM'000	Company RM'000
2018		
At 1 January 2018	379,794	379,794
Transfer from Family Takaful Fund - Annuity (Note 12(b)(i))	44,714	44,714
Movement in UER (Note 30)	21,433	21,433
At 31 December 2018	445,941	445,941

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017			
At 1 January 2017	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 2017	137,916	379,794	517,710

16. DEFERRED TAXATION

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
At 1 January 2018	8,219	3,875	12,094
Effect from adoption of MFRS 9	1	-	1
At 1 January 2018 (as restated)	8,220	3,875	12,095
Recognised in :			
Income statement (Note 32)	(3,933)	-	(3,933)
Other comprehensive income/ participants' fund	(161)	(1,811)	(1,972)
Tax borne by participants (Note 32)	-	(297)	(297)
At 31 December 2018	4,126	1,767	5,893

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
At 1 January 2017	7,492	6,786	(514)	6,978
Recognised in :				
Income statement (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 2017	8,219	5,069	3,875	12,094

16. DEFERRED TAXATION (CONTD.)

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:

Shareholder's fund	**2018 RM'000**	**2017 RM'000**
Deferred tax assets	5,701	9,489
Deferred tax liabilities	(1,575)	(1,270)
	4,126	8,219

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

(i) Deferred tax assets

	Impairment on FVOCI financial assets RM'000	**Net amortisation of premiums on investments RM'000**	**FVOCI reserves RM'000**	**Fair value adjustment RM'000**	**Impairment on financial receivables RM'000**	**Total RM'000**
2018						
At 1 January 2018	612	1,770	6,574	-	533	9,489
Effect from adoption of MFRS 9	-	-	(6,574)	6,574	1	1
At 1 January 2018 (as restated)	612	1,770	-	6,574	534	9,490
Recognised in:						
Income statement	(578)	(198)	-	(2,907)	(106)	(3,789)
Other comprehensive income	-	-	-	-	-	-
At 31 December 2018	34	1,572	-	3,667	428	5,701

16. DEFERRED TAXATION (CONTD.)

Shareholder's fund (CONTD.)

(i) Deferred tax assets (CONTD)

	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
2017					
At 1 January 2017	115	2,016	6,342	188	8,661
Recognised in:					
Income statement	497	(246)	-	345	596
Other comprehensive income	-	-	232	-	232
At 31 December 2017	612	1,770	6,574	533	9,489

(ii) Deferred tax liabilities

	Accelerated capital allowances RM'000	FVOCI reserves RM'000	Total RM'000
2018			
At 1 January 2018	(1,270)	-	(1,270)
Recognised in:			
Income statement	(144)	-	(144)
Other comprehensive income	-	(161)	(161)
At 31 December 2018	(1,414)	(161)	(1,575)
2017			
At 1 January 2017	(1,169)	-	(1,169)
Recognised in:			
Income statement	(101)	-	(101)
Other comprehensive income	-	-	-
At 31 December 2017	(1,270)	-	(1,270)

16. DEFERRED TAXATION (CONTD.)

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

	2017 RM'000
Deferred tax assets	5,892
Deferred tax liabilities	(823)
	5,069

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

(i) Deferred tax assets

	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
2017					
At 1 January 2017	722	6,339	887	39	7,987
Recognised in:					
Income statement	230	-	-	(14)	216
Participants' fund	-	(2,311)	-	-	(2,311)
At 31 December 2017	952	4,028	887	25	5,892

(ii) Deferred tax liabilities

	Impairment on takaful receivables RM'000
2017	
At 1 January 2017	(1,201)
Recognised in:	
Income statement	378
At 31 December 2017	(823)

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16. DEFERRED TAXATION (CONTD.)

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

	2018 RM'000	2017 RM'000
Deferred tax assets	2,857	4,883
Deferred tax liabilities	(1,090)	(1,008)
	1,767	3,875

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

	Impairment on FVOCI/AFS financial assets RM'000	Fair value adjustment RM'000	FVOCI FVOCI/AFS reserves RM'000	Amortisation of premiums on investments RM'000	Total RM'000
2018					
At 1 January 2018	1,694	1,108	2,081	-	4,883
Effect from adoption of MFRS 9	88	430	(430)	-	88
At 1 January 2018 (as restated)	1,782	1,538	1,651	-	4,971
Recognised in:					
Tax borned by participants	(1,686)	(1,538)	-	2,761	(463)
Participants' fund	-	-	(1,651)	-	(1,651)
At 31 December 2018	96	-	-	2,761	2,857

16. DEFERRED TAXATION (CONTD.)

Family takaful fund (CONTD.)

(i) Deferred tax assets (CONTD)

	Impairment on FVOCI/AFS financial assets RM'000	Fair value adjustment RM'000	FVOCI FVOCI/AFS reserves RM'000	Total RM'000
2017				
At 1 January 2017	806	-	(432)	374
Recognised in:				
Tax borned by participants	888	1,108	-	1,996
Participants' fund	-	-	2,513	2,513
At 31 December 2017	1,694	1,108	2,081	4,883

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	FVOCI/AFS reserves RM'000	Accretion of discounts on investments RM'000	Total RM'000
2018				
At 1 January 2018	-	-	(1,008)	(1,008)
Recognised in:				
Tax borned by participants	(842)	-	1,008	166
Participants' fund	-	(248)	-	(248)
At 31 December 2018	(842)	(248)	-	(1,090)
2017				
At 1 January 2017	23	432	(865)	(410)
Recognised in:				
Tax borned by participants	(23)	-	(143)	(166)
Participants' fund	-	(432)	-	(432)
At 31 December 2017	-	-	(1,008)	(1,008)

17. TAKAFUL PAYABLES

2018	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
Amounts due to agents and brokers	12,428	20,034	32,462
Amounts due to retakaful operators	-	13,481	13,481
	12,428	33,515	45,943

2017	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
	9,493	82,465	45,220	54,713

Certain takaful payables have been offset against amount due from the same counterparties are as follows:

2018	Gross carrying amount RM'000	Gross amount recognised in Takaful Receivables offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
Family takaful fund			
Due contributions including agents/ brokers and co-takaful balances	20,034	-	20,034
Due from retakaful operators	40,036	(26,555)	13,481
	60,070	(26,555)	33,515
2017			
(a) Family takaful fund			
Due contributions including agents/ brokers and co-takaful balances	23,113	-	23,113
Due from retakaful operators	55,576	(33,469)	22,107
	78,689	(33,469)	45,220

17. TAKAFUL PAYABLES (CONTD.)

Certain takaful payables have been offset against amount due from the same counterparties are as follows (Contd.):

2017 (Contd.)	Gross carrying amount RM'000	Gross amount recognised in Takaful Receivables offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
(b) General takaful fund			
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
	87,720	(5,255)	82,465

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 RM174,025 (2017: RM979,195). The amounts payable are subject to settlement terms stipulated in the takaful contracts.

18. OTHER PAYABLES

2018	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
Contribution deposits	223	52,081	52,304
Amounts due to Shareholder's fund*	-	183,538	-
Amount due to stockbrokers	-	2,069	2,069
Unclaimed monies	99	45,543	45,642
Service tax payable	-	417	417
Mudharabah payable	-	16,695	16,695
Witholding tax payable	-	25,197	25,197
Amount due to ultimate holding company*	4,819	376	5,195
Amount due to immediate holding company*	1,466	-	1,466
Amount due to related parties*	4,163	-	4,163
Zakat payable	9,892	-	9,892
Provisions for expenses	32,573	-	32,573
Sundry payables and accrued liabilities	44,752	105,696	150,448
	97,987	431,612	346,061

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18. OTHER PAYABLES (CONTD.)

2017	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
Witholding tax payable	-	-	37,301	37,301
Amount due to ultimate holding company*	9,268	96	616	9,884
Amount due to immediate 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
	130,253	345,830	347,936	372,241

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 holding companies, related companies and the shareholder's 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. The amounts payable are subject to settlement terms stipulated in the takaful contracts.

** Included in sundry payables and accrued liabilities are balances due to related parties amounting to RM27,277,309 (2017: RM8,147,000).

19. OPERATING REVENUE

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Wakalah fees (Note 21)	341,493	-	-
Investment income (Note 22)	99,621	466,817	566,438
Gross contributions (Note 20)	-	1,569,424	1,569,424
	441,114	2,036,241	2,135,862

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
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
	780,009	1,290,696	1,780,935	2,266,821

20. NET EARNED CONTRIBUTION

	Family takaful fund RM'000	Company RM'000
2018		
(a) Gross contribution	1,569,424	1,569,424
(b) Contributions ceded to retakaful operators	(67,953)	(67,953)
Net earned contributions	1,501,471	1,501,471

20. NET EARNED CONTRIBUTION (CONTD.)

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017			
(a) Gross contribution	1,218,365	1,345,132	1,345,132
Change in unearned contribution reserves	7,067	-	-
	1,225,432	1,345,132	1,345,132
(b) Contributions ceded to retakaful operators	(141,534)	(63,031)	(63,031)
Change in unearned contribution reserves	18,417	-	-
	(123,117)	(63,031)	(63,031)
Net earned contributions	1,102,315	1,282,101	1,282,101

21. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Wakalah fee income from:			
Family takaful fund	341,493	-	-
Profit commission	-	1,120	1,120
Others	-	157	157
	341,493	1,277	1,277

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
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
	664,194	19,602	9,906	9,906

22. INVESTMENT INCOME

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	92,220	283,788	376,008
- HFT			
Profit income	-	2,446	2,446
Dividend income:			
Quoted equity securities in Malaysia	3,399	17,692	21,091
FVOCI financial assets:			
Profit income	861	147,891	148,752
AC financial assets:			
Profit income	4,675	21,361	26,036
Profit income from financing receivables	816	-	816
Net amortisation of premiums	(1,819)	(3,605)	(5,424)
Investment related expenses	(531)	(2,756)	(3,287)
	99,621	466,817	566,438

22. INVESTMENT INCOME (CONTD.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
Financial assets at FVTPL:				
- Designated upon initial recognition				
Profit income	-	-	267,820	267,820
- HFT				
Profit income	-	-	819	819
Dividend income:				
Quoted equity securities in Malaysia	-	-	404	404
AFS financial assets:				
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
LAR:				
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)
	115,815	72,331	435,803	551,618

23. REALISED (LOSSES)/GAINS

2018	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
Net realised gains/(losses):			
Property, plant and equipment	(4)	-	(4)
Financial assets at FVTPL			
- Designated upon initial recognition			
Malaysian government papers	(380)	(1,021)	(1,401)
Debt securities	2,154	9,226	11,380
	1,774	8,205	9,979
- HFT			
Malaysian government papers	-	156	156
Equity securities	(28,134)	(170,605)	(198,739)
Debt securities	-	209	209
Unit and property trust funds	-	35	35
	(28,134)	(170,205)	(198,339)
FVOCI financial assets			
Malaysian government papers	-	(14)	(14)
Equity securities	-	-	-
Debt securities	-	3,842	3,842
Other investments	-	-	-
	-	3,828	3,828
Total net realised losses	(26,364)	(158,172)	(184,536)

2017	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Net realised gains/(losses):				
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	-	541	541
Debt securities	-	-	21,242	21,242
	-	-	21,783	21,783

23. REALISED (LOSSES)/GAINS (CONTD.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017 (Contd.)				
Financial assets at FVTPL (Contd.)				
- HFT				
Malaysian government papers	-	-	(9)	(9)
Equity securities	-	-	1,120	1,120
Debt securities	-	-	249	249
	-	-	1,360	1,360
AFS financial assets				
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
	24,968	4,171	109,363	134,331
Total net realised gains	24,968	4,171	132,506	157,474

24. FAIR VALUE GAINS/(LOSSES)

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Financial assets at FVTPL:			
- Designated upon initial recognition	20,848	53,407	74,255
- HFT	(6,181)	352	(5,529)
Total fair value gain	14,667	53,759	68,726

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
Financial assets at FVTPL:				
- Designated upon initial recognition	-	-	(16,892)	(16,892)
- HFT	-	-	1,938	1,938
Total fair value gain	-	-	(14,954)	(14,954)

25. OTHER OPERATING (EXPENSES)/INCOME, NET

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Other income			
Surrender charges	27	1	28
Reversal of impairment losses on:			
- Other receivables	-	2	2
Processing fee income	50	-	50
Gain on foreign exchange:			
- realised	53	-	53
- unrealised	-	38	38
Sundry income	859	184	1,043
	989	225	1,214
Other expenses			
Allowance for impairment losses on:			
- Financing receivables	(223)	(5)	(228)
- Investments	(147)	(72)	(219)
- Takaful receivables	-	(420)	(420)
- Other receivables	(13)	-	(13)
Takaful receivables write off	-	(1,033)	(1,033)
Realised loss on foreign exchange	-	(54)	(54)
Sundry expenditure	(606)	(56)	(662)
	(989)	(1,640)	(2,629)
Total other operating expenses, net	-	(1,415)	(1,415)

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

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
Other income				
Surrender charges	29	-	-	29
Reversal of impairment losses on:				
- Takaful receivables	-	910	-	-
Processing fee income	46	-	-	46
Realised gain on foreign exchange	16	1	9	25
Sundry income	1,538	244	3	1,541
	1,629	1,155	12	1,641
Other expenses				
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)
	(8,219)	(257)	(26,559)	(34,778)
Total other operating (expenses)/income, net	(6,590)	898	(26,547)	(33,137)

26. NET BENEFITS AND CLAIMS

2018	Family takaful fund RM'000	Company RM'000
Gross benefits and claims paid	(889,852)	(889,852)
Claims ceded to retakaful	47,778	47,778
Gross change in certificate liabilities	(251,244)	(517,711)
Change in certificate liabilities ceded to retakaful	(5,283)	(5,283)
	(1,098,601)	(1,365,068)

2017	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
	(626,025)	(1,157,286)	(1,397,599)

27. MANAGEMENT EXPENSES

2018	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
Employee benefits expenses (Note (a))	73,596	15,908	89,504
Directors' remuneration (Note 28)	841	-	841
Shariah Committee remuneration (Note 29)	197	-	197
Auditors' remuneration:			
- statutory audits	261	113	374
- interim audits	-	-	-
- regulatory services	19	-	19
- other services	224	216	440
Depreciation of property, plant and equipment (Note 3)	197	-	197
Amortisation of intangible assets (Note 4)	653	-	653
Auto assist service	230	-	230
Assured medical fees	-	-	-
Bank and financing charges	2,546	1,693	4,239
Electronic data processing expenses	9,897	1,134	11,031
Entertainment expenses	226	33	259
Interest expenses	14	14	28
Legal fees	43	3	46
Maybank shared services - IT	3,311	1,050	4,361
Office facilities expenses	229	59	288
Other management fees	154	84	238
Postage and stamp duties	1,000	99	1,099
Printing and stationery	1,202	390	1,592
Professional fees	434	268	702
Promotional and marketing costs	50,834	-	50,834
Rental of offices/premises	4,643	831	5,474
Training expenses	954	57	1,011
Travelling expenses	1,146	124	1,270
Utilities, assessment and maintenance	941	209	1,150
Other expenses	12,424	1,332	13,756
Total management expenses	166,216	23,617	189,833

27. MANAGEMENT EXPENSES (CONTD.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
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 and data processing expenses	8,707	-	353	616
Entertainment expenses	333	-	12	155
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	19,455	-	790	4,778
Total management expenses	288,889	-	26,600	160,684

27. MANAGEMENT EXPENSES (CONTD.)

(a) Employee benefits expenses

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Wages, salaries and bonus	53,278	11,885	65,163
EPF	8,402	1,789	10,191
SOCSO	394	84	478
Share based compensation	29	7	36
Other benefits	11,493	2,143	13,636
	73,596	15,908	89,504

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
Wages, salaries and bonus	111,356	-	16,071	62,677
EPF	17,647	-	2,326	9,700
SOCSO	779	-	85	403
Share based compensation	558	-	63	310
Other benefits	18,544	-	1,749	9,478
	148,884	-	20,294	82,568

(b) Included in employee benefits expenses is remuneration paid to the Chief Executive Office of the Company amounting to RM1,102,146 (2017: RM 286,119) detailed as follows:

	2018 RM'000	2017 RM'000
Salaries	693	220
Bonus	185	-
EPF	148	38
Other emoluments	76	28
	1,102	286

28. DIRECTORS' FEES AND REMUNERATION

	2018 RM'000	2017 RM'000
Shareholder's fund/Company		
Non executive directors:		
Fees	750	1,086
Other emoluments	91	94
Total directors' fees and remuneration	841	1,180

The details of the remuneration of the directors of the Company are as follows:

	Benefits Fees RM'000	Other Emoluments RM'000	Total RM'000
2018			
Non-executive directors:			
Dato' Majid Mohamad (Chairman)	174	22	196
Mr. Philippe Pol Arthur Latour (Vice Chairman)	119	13	132
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	119	11	130
Dato' Johan Ariffin	119	17	136
Dr. Abdul Rahim Abdul Rahman	119	15	134
Mr. Wong Pakshong Kat Jeong Colin Stewart	100	13	113
	750	91	841
2017			
Non-executive directors:			
Dato' Majid Mohamad (Chairman)	39	3	42
Mr. Philippe Pol Arthur Latour (Vice Chairman)	116	8	124
Datuk R. Karunakaran	158	9	167
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	116	8	124
Dato' Johan Ariffin	39	3	42
Dr. Abdul Rahim Abdul Rahman	29	2	31
Mr. Loh Lee Soon	116	9	125
Mr. Frank J.G. Van Kempen	129	15	144
Mr. Koh Heng Kong	129	16	145
En. Zainal Abidin Jamal	131	15	146
Dr. Ismail Mohd @ Abu Hassan	84	6	90
	1,086	94	1,180

29. SHARIAH COMMITTEE'S REMUNERATION

	2018 RM'000	2017 RM'000
Shareholder's fund/Company		
Fees	154	212
Other emoluments	43	62
	197	274

The total remuneration of the Shariah Committee of the Company are as follows:

	Fees RM'000	Other Emoluments RM'000	Total RM'000
2018			
Shariah committee:			
Dr. Ahcene Lahsasna	28	7	35
Dr. Ismail Mohd @ Abu Hassan	9	3	12
Dr. Mohammad Deen Mohd Napiah	9	3	12
Dr. Sarip Adul	24	7	31
Prof Dr. Rusni Hassan	24	7	31
Prof Dr. Abdul Rahim Abdul Rahman	24	7	31
Prof Dato' Dr. Mohd Azmi Omar	18	4	22
Dato' Dr Anhar Opir	18	5	23
	154	43	197
2017			
Shariah committee:			
Dr. Ahcene Lahsasna	42	11	53
Dr. Ismail Mohd @ Abu Hassan	38	11	49
Dr. Mohammad Deen Mohd Napiah	39	12	51
Dr. Sarip Adul	39	12	51
Dr. Rusni Hassan	27	8	35
Prof. Abdul Rahim Abdul Rahman	27	8	35
	212	62	274

30. CHANGE IN EXPENSE LIABILITIES

	Shareholder's fund RM'000	Company RM'000
2018		
Increase in UER of family takaful fund (Note 15)	21,433	21,433
	21,433	21,433
2017		
Increase in UWF of general takaful fund (Note 15)	2,103	-
Increase in UER of family takaful fund (Note 15)	(10,981)	(10,981)
	(8,878)	(10,981)

31. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Commission expenses	119,454	759	120,213
Wakalah fee expense	-	341,493	-
	119,454	342,252	120,213

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
Commission expenses	238,623	-	1,628	131,367
Wakalah fee expense	-	370,071	294,123	-
Others	-	110	-	-
	238,623	370,181	295,751	131,367

32. INCOME TAX EXPENSE

2018	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
Malaysian income tax:			
Tax expense for the year	47,132	(764)	47,132
Overprovision of tax in prior years	(904)	(93)	(904)
Deferred taxation:			
Relating to origination and reversal of temporary differences (Note 16)	3,933	297	3,933
	50,161	(560)	50,161

2017	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Continuing operation:				
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)
	65,278	-	(1,697)	65,278
Discontinued operation:				
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)	-	-
	49,328	(594)	-	49,328
	114,606	(594)	(1,697)	114,606

32. INCOME TAX EXPENSE (CONTD.)

The domestic income tax for shareholder's and general takaful funds are calculated at the Malaysian statutory tax rate of 24% (2017: 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% (2017: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

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:

Company	**2018 RM'000**
Profit before taxation	242,114
Taxation at Malaysian statutory tax rate of 24%	58,107
Income not subject to tax	(86,378)
Expenses not deductible for tax purposes	80,122
Effect of zakat deduction and approved donation	(786)
Over provision of tax in prior years	(904)
Tax expense for the year	50,161

	< ---------------------- 2017 ---------------------->		
Company	**Continuing operation RM'000**	**Discontinued operation RM'000**	**Total RM'000**
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
Effect of zakat deduction and approved donation	(733)	-	(733)
Overprovision of tax in prior years	(3,579)	(2,609)	(6,188)
Tax expense for the year	65,278	49,328	114,606

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.

	2018	2017
Profit attributable to ordinary shareholder (RM '000):		
- Continuing operation	182,383	193,479
- Discontinued operation	-	146,350
	182,383	339,829
Number of ordinary shares in issue ('000)	100,000	400,000
Basic and diluted earnings per share (sen) :		
- Continuing operation	110.58	48.37
- Discontinued operation	-	36.59
	110.58	84.96

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the reporting date.

34. DIVIDENDS

	2018 RM'000	2017 RM'000
Recognised during the financial year:		
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

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 the leases with initial or remaining terms of one year or more are as follows:

	2018 RM'000	2017 RM'000
Shareholder's fund		
Within 1 year	5,246	10,627
After 1 year but not more than 5 years	19,587	38,971
	24,833	49,598

Rental expenses recognised in the income statement during the financial year is disclosed in Note 27.

36. OTHER COMMITMENTS AND CONTINGENCIES

	2018 RM'000	2017 RM'000
Shareholder's fund		
Approved and contracted for:		
Property, plant and equipment	45	-
Intangible assets	-	594

37. SEGMENTAL INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Net cash flow generated from/(used in):			
Operating activities	344,410	58,113	402,523
Investing activities	(3,179)	-	(3,179)
Financing activities	(313,560)	-	(313,560)
	27,671	58,113	85,784
Net increase in cash and cash equivalents:			
At 1 January 2018	15,993	45,419	61,412
At 31 December 2018	43,664	103,532	147,196
	27,671	58,113	85,784

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
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)
	3,506	(35,735)	(25,427)	(57,656)
Net increase/(decrease) in cash and cash equivalents:				
At 1 January 2017	12,487	69,694	70,846	153,027
At 31 December 2017	15,993	33,959	45,419	95,371
	3,506	(35,735)	(25,427)	(57,656)

38. SHARED BASED COMPENSATION

ESS

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.

38. SHARED BASED COMPENSATION (CONTD.)

ESS (Contd.)

(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) years cliff vesting schedule or a two (2) years 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:

- Number of ESOS granted, versted and awarded are as follows:

		Number of share options ('000)						
Grant date	Number of Grant	Original Grant	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche	Sixth Tranche
23.6.2011	ESOS First Grant*	405,309 #	80,871	42,136	78,885	74,254	69,860	34,955
30.4.2012	ESOS Second Grant**	62,339 #	6,187	12,874	12,002	10,809	9,425	4,687
30.4.2013	ESOS Third Grant	53,594 #	9,200	10,523	9,198	7,861	7,382	-
30.4.2014	ESOS Fourth Grant	54,028 #	9,752	10,592	9,019	8,531	8,177	-
30.4.2015	ESOS Fifth Grant	48,170 #	11,439	11,260	10,475	9,746	-	-
30.9.2015	ESOS Special Grant	992 #	309	216	108	-	-	-

#The number of share options granted are based on the assumptions that the eligible employees met average performance targets.

*The ESOS quantum allotted under the sixth tranche of ESOS First Grant is prorated based on six months

**The ESOS quantum allotted under the first and fifth tranche of ESOS Second Grant is prorated based on six months period. 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.

38. SHARED BASED COMPENSATION (CONTD.)

ESS (Contd.)

(v) Key features of the ESOS award are as follows (Contd.):

- 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 so 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.

38. SHARED BASED COMPENSATION (CONTD.)

ESGP and CESGP

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

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

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

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

Other principal features of the ESGP are as follows:

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

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

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

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

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES 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 corresponding party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the 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	Family takaful fund RM'000	Company RM'000
Income/(expenses):			
2018			
Ultimate holding company:			
Gross takaful contribution income	-	6,763	6,763
Other income	811	-	811
Commission and fee expenses	(19,592)	-	(19,592)
Investment expenses	(466)	(2,361)	(2,827)
Claims paid	-	(6,314)	(6,314)
Immediate and penultimate holding companies :			
Gross takaful contribution income	-	776	776
Shared service costs	(10,604)	-	(10,604)
Fellow subsidiaries within the MAHB Group:			
Gross takaful contribution income	-	63	63
Rental expense	(4,847)	-	(4,847)
Shared service costs	(39,284)	-	(39,284)

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ETIQA FAMILY TAKAFUL BERHAD
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39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

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

Income/(expenses)(Contd.):		**Shareholder's fund RM'000**	**Family takaful fund RM'000**	**Company RM'000**
2018				
Other related companies within the MBB Group:				
Profit income on deposits		1,019	5,107	6,126
Gross takaful contribution income		-	1,462	1,462
Other income		38	-	38
Maybank shared service IT expenses		(3,311)	(1,050)	(4,361)
Commission and fee expenses		(29,464)	-	(29,464)
Investment expenses		(51)	(324)	(375)
Other expenses		(51)	-	(51)
Claims paid		-	(306)	(306)
Companies related to a company with significant influence over the MBB Group:				
Gross takaful contribution income		-	6,370	6,370
Claims paid		-	(4,891)	(4,891)
Profit on subordinated obligation		(3,616)	-	(3,616)
2017				
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)

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

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

		Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
Income/(expenses)(Contd.):				
2017 (contd.)				
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)
Shareholders of MAHB:				
Reimbursement of expenses	(892)	-	-	(892)
Other income	589	-	-	589
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)

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

(ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following:

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Ultimate holding company:			
Bank balances	43,625	94,270	137,895
Takaful receivables	-	417	417
Takaful payables	-	(2)	(2)
Other receivables	2,867	-	2,867
Other payables	(25,279)	-	(25,279)
Amount due to ultimate holding company	(4,819)	(376)	(5,195)
Immediate Holding company:			
Amount due to immediate holding company	(1,466)	-	(1,466)
Fellow subsidiaries within the MAHB Group:			
Amount due from related parties	2,530	-	2,530
Amount due to related parties	(6,693)	-	(6,693)
Other related companies within the MBB Group:			
Income and profit due and accrued	57	327	385
Islamic investment accounts	39,961	155,732	195,693
Takaful receivables	-	40	40
Takaful payables	-	(7)	(7)
Other receivables	6,247	-	6,247
Other payables	(1,998)	-	(1,998)
Companies related to a company with significant influence over the MBB Group:			
Takaful receivables	-	349	349
Takaful payables	-	(165)	(165)
Subordinated obligation	(80,317)	-	(80,317)

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

(ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (Contd.):

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2017				
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	(446)	-	-	(446)
Amount due to ultimate holding company	(9,268)	(96)	(616)	(9,884)
Immediate holding company:				
Amount due to immediate holding company	(1,091)	-	-	(1,091)
Fellow subsidiaries within the MAHB Group:				
Takaful payables	-	-	(2)	(2)
Other receivables	5,045	-	-	5,045
Other payables	(7,636)	-	-	(7,636)
Amount due to related parties	(2,913)	-	-	(2,913)
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
Takaful receivables	-	82	229	229
Takaful payables	-	(2)	(5)	(5)
Other receivables	3,102	-	-	3,102
Other payables	(65)	-	-	(65)
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)

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

(iii) Key management personnel compensation

(a) The remuneration of key management personnel during the year was as follows:

	2018 RM'000	2017 RM'000
Short-term employee benefits		
Fees	750	1,086
Salaries and bonuses	878	220
EPF	148	38
Other emoluments	167	122
	1,943	1,466

40. INTEGRATED RISK MANAGEMENT FRAMEWORK

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

Six (6) key building blocks have been set which serve as the foundation for risk management and executed in accordance with the standards and risk appetite set by the Board.

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

Principles

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

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

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 risks that they are willing to accept in pursuit of their business objectives.

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40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Appetite and Strategy (contd.)

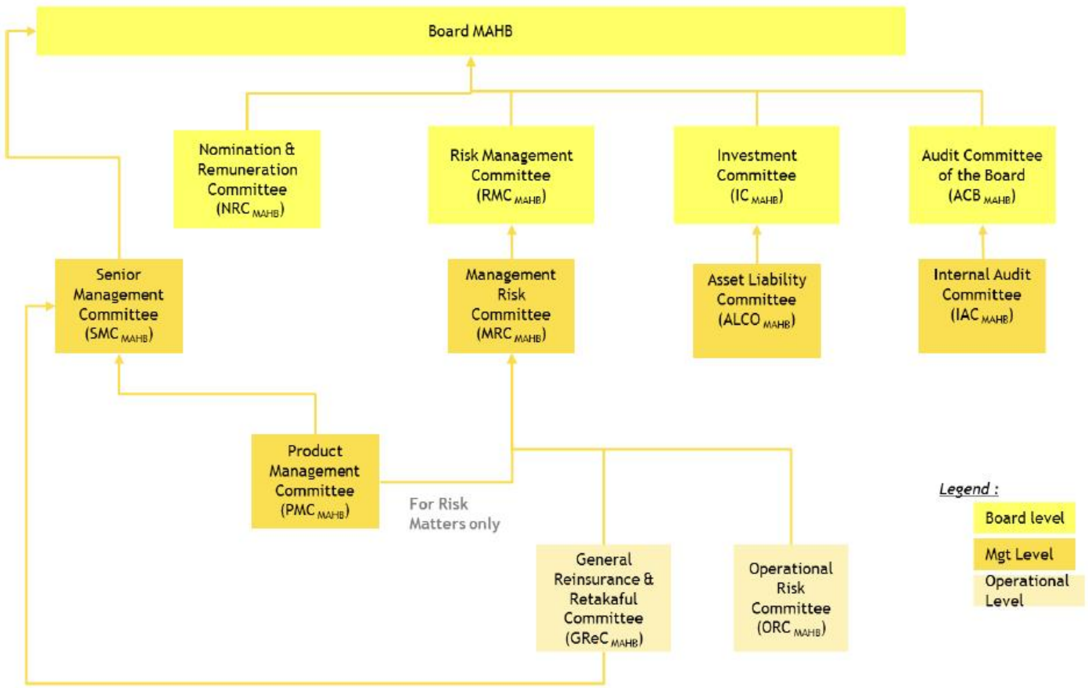
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising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

Governance and Risk Oversight

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

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

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



40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (Contd.)

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

Board

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

SMC

The responsibility of the SMC is to assure the Board that the components of the Group take appropriate decisions regarding risk and return and to make sure adequate controls exist and are fully operational.

MRC

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

ALCO

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

IAC

The IAC is responsible for the monitoring and follow-up of audit findings.

PMC

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

The following Operational Level Committees are established to support the Management level committees in the discharge of theirs duties.

40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (Contd.)

ORC

ORC serves as the advisor to MRC concerning group wide operational risk related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

GReC

GReC acts as the risk governance body in relation to the reinsurance management of the General Insurance & Takaful policies. The scope of the GReC covers General Reinsurance, Inwards and Outwards Reinsurance for the Insurance & Takaful Group.

Risk Culture

Risk culture is a vital component in strengthening the Group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The risk culture can be strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

In line with the evolving market environment and dynamics within the Group and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

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40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

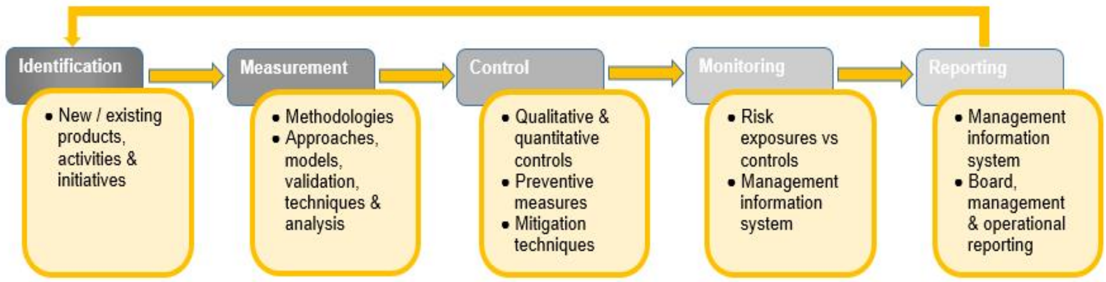
Risk Management Practices and Processes (Contd.)

Risk Management Practices and Processes

Risk management practices and processes are a fundamental component of the risk principles. It is essential in enabling systematic identification, measurement, control, monitoring and reporting of risk exposures.

To enable an effective execution of risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group.

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 effective risk management practices and processes. As a result, the Group should equip itself with necessary resources, infrastructures and support to perform its roles efficiently.

Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

The personnel within risk management department should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the Group's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these in all facets of risk taking activities.

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40. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

System Infrastructure

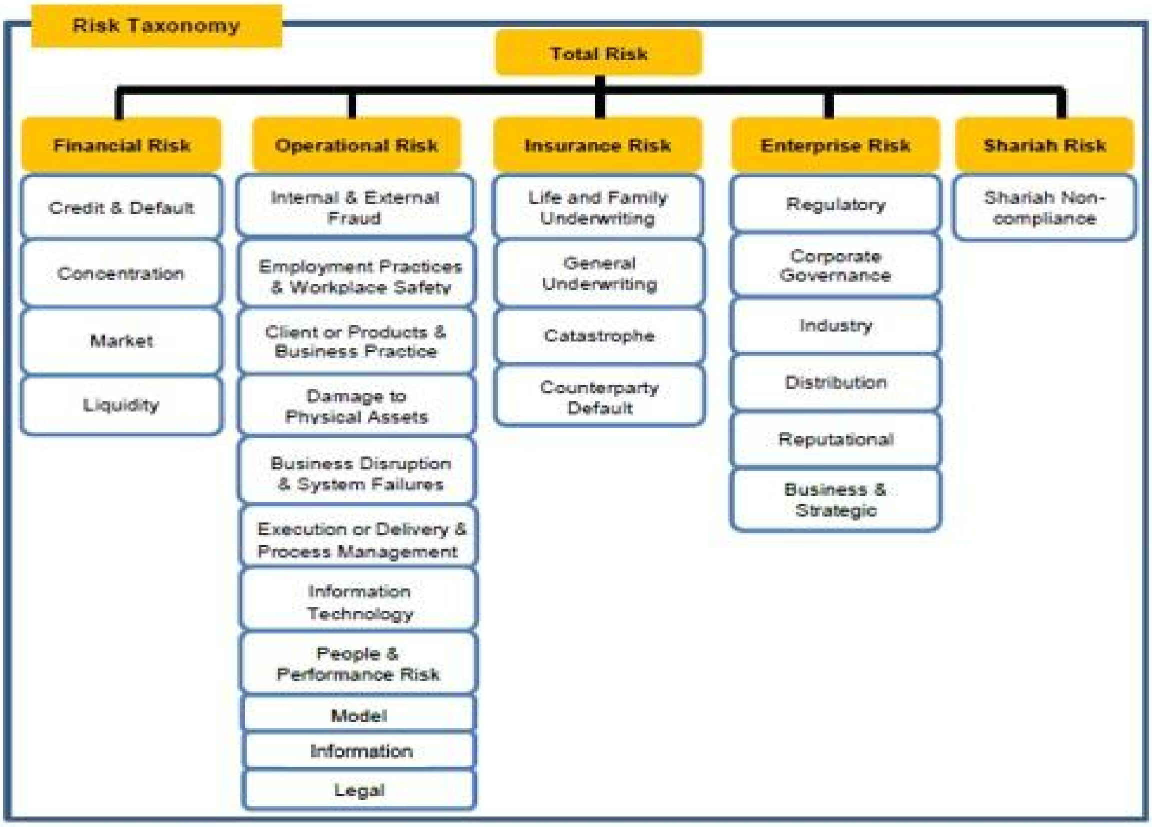
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities 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 listed in 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.



41. TAKAFUL RISK

Takaful risk relates to the inherent risk associated with 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 remain 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 operation. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(i) Family Underwriting Risk

The Family Underwriting Risk reflects the adverse changes in the level, trend, or volatility of mortality, longevity, disability/morbidity, lapse/persistency and expense experience that is different from the expectation/best estimate assumptions, either in pricing or reserving, therefore affecting the profitability of family takaful portfolio.

(ii) General Takaful Underwriting Risk

General Takaful (GT) Underwriting Risk reflects the adverse changes in the level, trend or volatility/fluctuation of claims settlement experience in terms of timing, frequency and severity of insured events that is different from the expectation/best estimate assumptions, either from pricing or reserving, therefore affecting the profitability of GT portfolio.

(iii) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the value of insurance/takaful liabilities due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood and etc.), which can cause an accumulated loss or single large loss. Catastrophe risks could arise from either Family business as well as General Takaful business.

41. TAKAFUL RISK (CONTD.)

(iv) Counterparty Default Risk

The counterparty default risk reflects possible losses due to unexpected default of counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk (in Financial Risk Taxonomy).

(a) Family takaful fund

The table below shows the concentration of actuarial liabilities by type of contract:

	2018			2017		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,718,340	-	1,718,340	1,648,101	-	1,648,101
Mortgage	3,593,071	(63,030)	3,530,041	3,529,376	(69,640)	3,459,736
Term assurance	34,363	-	34,363	23,588	-	23,588
Annuity	714,791	-	714,791	733,998	-	733,998
Others	674,153	-	674,153	594,816	-	594,816
	6,734,718	(63,030)	6,671,688	6,529,879	(69,640)	6,460,239

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.

41. TAKAFUL RISK (CONTD.)

(a) Family takaful fund (Contd.)

(i) Key assumptions and methodology

Material judgement is required in determining the Participants' Risk Fund ("PRF") liabilities. The PRF refers to the fund in which the portion of contributions paid by the participants is allocated and pooled for the purpose of meeting claims. Assumptions used in determining the PRF liabilites 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:

<u>Discount rate</u>
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.

<u>Mortality and morbidity rates</u>
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.

<u>Lapse and surrender rates</u>
Lapse and surrender rates are used to determine the expected persistency of the business, i.e. the expectation that participants will renew their certificates etc. These rates are based on the Company's historical experience of lapses and surrenders.

<u>Expenses</u>
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.

41. TAKAFUL RISK (CONTD.)

(a) Family takaful fund (Contd.)

(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.

2018	**% change in assumptions**	**Impact on gross liabilities RM'000**	**Impact on net liabilities** RM'000**	**Impact on profit before tax RM'000**	**Impact on equity RM'000**
Discount rate*	-1%	324,743	318,310	(58,578)	(58,578)
Mortality and morbidity rates	+/- 10% (adverse)	299,232	252,296	(46,493)	(46,493)
Lapse and surrender rates	+/- 10% (adverse)	16,312	17,569	(3,706)	(3,706)
Expenses	+10%	11,681	11,681	(2,485)	(2,485)

* excludes impact on profit rate assets
** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

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41. TAKAFUL RISK (CONTD.)

(a) Family takaful fund (Contd.)

(ii) Sensitivity analyses

2017	% change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Discount rate*	-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.

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.

41. TAKAFUL RISK (CONTD.)

(b) General takaful fund

The table below discloses contribution written by type of contract.

	2017		
	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	842,203	(5,157)	837,046
Fire	165,072	(52,505)	112,567
Marine, Aviation, Cargo and Transit	15,688	(12,646)	3,042
Miscellaneous	195,402	(71,226)	124,176
	1,218,365	(141,534)	1,076,831

(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.

41. TAKAFUL RISK (CONTD.)

(b) General takaful fund (Contd.)

(i) Key assumptions and methods (Contd.)

The assumptions used in the projection methodologies, including future rates of claims inflation are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are explicitly allowed for in the reserving process by adding in a PRAD for the best estimate of the cost of future claim payments.

The methodology used in deriving the provision for expenses is consistent with 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.

41. TAKAFUL RISK (CONTD.)

(b) General takaful fund (Contd.)

(ii) Sensitivity analyses (Contd.)

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2017					
Incurred Claims Ratio	+ 5%	61,272	55,116	(55,116)	(41,888)
	- 5%	(61,272)	(55,116)	55,116	41,888

(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.

41. TAKAFUL RISK (CONTD.)

(b) General takaful fund (Contd.)

(iii) Claims development table (Contd.)

Gross analysis of claims development for 2017:

	Before	As at 31 December							
	2011	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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							
Estimate of gross cumulative claims to date (A)		436,576	462,151	575,192	601,915	608,828	816,040	724,824	

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41. TAKAFUL RISK (CONTD.)

(b) General takaful fund (Contd.)

(iii) Claims development table (Contd.)

Gross analysis of claims development for 2017 (Contd.):

	Before	As at 31 December							
	2011	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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							
Gross cumulative claims paid to date (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)									932,652

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41. TAKAFUL RISK (CONTD.)

(b) General takaful fund (Contd.)

(iii) Claims development table (Contd.)

Net analysis of claims development for 2017:

Accident year	Before 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
		As at 31 December							
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							
Estimate of net cumulative claims to date (A)		337,196	444,549	492,758	490,130	586,008	664,057	699,503	

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41. TAKAFUL RISK (CONTD.)

(b) General takaful fund (Contd.)

(iii) Claims development table (Contd.)

Net analysis of claims development for 2017 (Contd.):

Accident year	Before 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
		As at 31 December							
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							
Net cumulative claims paid to date (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)									715,556

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. MFRS 9 *Financial Instruments* removed the bifurcation of embedded derivatives concept for financial assets and hybrid financial assets would be classified and measured in their entirety at FVTPL for the purposes of financial risk exposures and management.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure (Contd.)

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
2018			
Financial investments at FVTPL:			
- Designated upon initial recognition			
Malaysian government papers	109,211	168,858	278,069
Unquoted debt securities in Malaysia	1,512,597	5,713,685	7,226,282
- HFT			
Malaysian government papers	-	7,020	7,020
Unquoted debt securities in Malaysia	-	36,806	36,806
Quoted unit and property trust funds in Malaysia	24,933	266	266
FVOCI financial investments:			
Malaysian government papers	29,867	166,846	196,713
Unquoted debt securities in Malaysia	245,412	3,049,368	3,294,780
NICD	-	-	-
AC:			
Islamic investment accounts with financial institutions	171,853	627,356	799,209
Financing receivables	16,406	-	16,406
Retakaful assets	-	73,802	73,802
Takaful receivables	-	75,591	75,591
Other receivables	223,762	166,131	206,355
Cash and bank balances	43,664	103,532	147,196
	2,377,705	10,189,261	12,358,495

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure (Contd.)

	Shareholder's fund RM'000	General takaful fund (discontinued operation) RM'000	Family takaful fund RM'000	Company RM'000
2017				
Financial investments at FVTPL:				
- Designated upon initial recognition				
Malaysian government papers	-	-	140,809	140,809
Unquoted debt securities in Malaysia	-	-	4,907,022	4,907,022
NICD	-	-	108,438	108,438
- HFT				
Malaysian government papers	-	-	4,704	4,704
Unquoted debt securities in Malaysia	-	-	18,769	18,769
Quoted unit and property trust funds in Malaysia	-	-	508	508
AFS financial investments:				
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
Investment-linked units	25,233	-	635	25,868
LAR:				
Islamic investment accounts 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
	2,594,037	2,097,324	9,258,550	11,746,639

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit quality of financial assets

The four risks categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial investments. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	BBB+ to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk category is as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.

Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(vi)(b).

Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.

Sovereign : Refer to obligors which are governments and/or government-related agencies.

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42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating

The implementation of MFRS 9 *Financial Instruments* has resulted in a change in the presentation and disclosure in credit risk. 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

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2018							
FVTPL financial investments:							
- Designated upon initial recognition							
Malaysian government papers	109,211	-	-	-	-	-	109,211
Unquoted debt securities in Malaysia	660,784	335,741	516,072	-	-	-	1,512,597
Investment-linked units	-	-	-	-	-	-	-
- HFT							
Malaysian government papers	-	-	-	-	-	-	-
Unquoted debt securities in Malaysia	-	-	-	-	-	-	-
Quoted unit and property trust funds in Malaysia	-	-	-	-	-	24,933	24,933

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating (contd.)

Family takaful fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2018 (Contd.)							
FVOCI financial investments:							
Malaysian government papers	29,867	-	-	-	-	-	29,867
Unquoted debt securities in Malaysia	15,023	117,491	112,898	-	-	-	245,412
AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	103,981	15,000	-	-	-	118,981
Others			52,872	-	-	-	52,872
Financing receivables	-	-	-	-	-	16,406	16,406
Other receivables	3,325	5,578	7,247	-	-	207,612	223,762
Cash and bank balances	-	43,664	-	-	-	-	43,664
	818,210	606,455	704,089	-	-	248,951	2,377,705

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42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating (contd.)

Family takaful fund

2018	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
FVTPL financial investments:							
- Designated upon initial recognition							
Malaysian government papers	168,858	-	-	-	-	-	168,858
Unquoted debt securities in Malaysia	1,806,490	1,382,500	2,379,533	145,162	-	-	5,713,685
- HFT							
Malaysian government papers	7,020	-	-	-	-	-	7,020
Unquoted debt securities in Malaysia	3,516	6,702	24,521	2,067	-	-	36,806
Quoted unit and property trust funds in Malaysia	-	-	-	-	-	266	266

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating (contd.)

Family takaful fund

	Sovereign RM'000	Very Low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2018 (Contd.)							
FVOCI financial investments:							
Malaysian government papers	166,846	-	-	-	-	-	166,846
Unquoted debt securities in Malaysia	1,297,931	869,875	878,515	3,047	-		3,049,368
AC:							
Islamic investment accounts with:							
Licensed financial institutions	-	484,330	45,000	-	-	-	529,330
Others	-	3,000	95,026	-	-	-	98,026
Retakaful assets	-	-	-	-	-	73,802	73,802
Takaful receivables	-	-	-	-	-	75,591	75,591
Other receivables	2,954	34,423	40,524	1,731	-	86,499	166,131
Cash and bank balances	-	102,707	566	172	-	87	103,532
	3,453,615	2,883,537	3,463,685	152,179	-	236,245	10,189,261

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating (contd.)

Shareholder's fund

2017	Neither past-due nor impaired *A to AAA RM'000	Neither past-due nor impaired *Not Rated RM'000	Past due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
AFS financial investments:					
Malaysian government papers	-	226,964	-	-	226,964
Unquoted debt securities in Malaysia	1,221,676	704,154	-	-	1,925,830
Investment-linked units	-	-	-	25,233	25,233
LAR:					
Islamic investment accounts					-
with financial institution	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
	1,386,436	958,232	1,156	248,213	2,594,037

General takaful fund

2017	Neither past-due nor impaired *A to AAA RM'000	Neither past-due nor impaired *Not Rated RM'000	Past due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
AFS financial investments:					
Malaysian government papers	-	340,197	-	-	340,197
Unquoted debt securities in Malaysia	1,108,286	33,946	-	-	1,142,232
LAR:					
Islamic investment accounts 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
	1,476,548	524,239	16,692	79,845	2,097,324

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating (contd.)

Family takaful fund

2017	Neither past-due nor impaired *A to AAA RM'000	Neither past-due nor impaired *Not Rated RM'000	Unit Linked RM'000	Not subject to credit risk RM'000	Total RM'000
Investments:					
Financial investments at FVTPL:					
- Designated upon initial recognition					
Malaysian government papers	-	140,809	-	-	140,809
Unquoted debt securities in Malaysia	3,314,729	1,592,293	-	-	4,907,022
NICD	108,438	-	-	-	108,438
- HFT					
Malaysian government papers	-	-	4,704	-	4,704
Unquoted debt securities in Malaysia	-	-	18,769	-	18,769
Quoted unit and property trust funds outside Malaysia		-	508	-	508
AFS financial investments:					
Malaysian government papers	-	57,280	-	-	57,280
Unquoted debt securities in Malaysia	1,802,805	1,151,525	-	-	2,954,330
Quoted unit and property trust funds in Malaysia	-	-	-	635	635
NICD	19,719	-	-	-	19,719

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42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating (contd.)

Family takaful fund (contd.)

2017	Neither past-due nor impaired *A to AAA RM'000	*Not Rated RM'000	Unit Linked RM'000	Not subject to credit risk RM'000	Total RM'000
Investments (contd.):					
LAR:					
Islamic investment accounts financial institutions	565,277	-	17,700	-	582,977
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	80	121	-	45,419
	6,155,728	3,041,345	42,147	19,330	9,258,549

* Based on ratings assigned by external rating agencies including RAM and MARC.

^^ 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 (CONTD.)

(i) Credit Risk (Contd.)

Credit quality of Financial Assets

2017

	Past due but not impaired				Impaired			
	<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	Grand total RM'000
Shareholder's fund								
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
General takaful fund								
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	6,169	(6,169)	-	16,692
Family takaful fund								
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

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account

Investment assets

Significant increase in credit risk

The Company apply General Approach or ‘three-stage’ approach which is based on the change in credit quality of financial instruments since initial recognition to assess the Impairment for invesment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate (“EIR”) method with the forward looking element to compute the ECL.

The Company have considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the MBB Group's ECL model for debt securities portfolio.

Expected credit loss

The Company assess the possible default events within 12 months for the calculation of the 12- month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to the Group and the Company. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Group and the Company are required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance is measured for the Group and the Company during the year are mostly due to the debt security is classified as Watchlist ("WL") or downgraded bond whichever it is assesses at the reporting date.

The determination of whether a financial asset is credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account (Contd.)

Investment assets (Contd.)

The table below shows the fair value of the Company's financial investments measured by credit risk, based on the Company's risk categories.

Shareholder's fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial investments at FVOCI				
Sovereign	44,890	-	-	44,890
Very low	117,491	-	-	117,491
Low	112,898	-	-	112,898
Carrying amount - fair value	275,279	-	-	275,279
Expected credit loss	(147)	-	-	(147)

Family takaful fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial investments at FVOCI				
Sovereign	1,340,036	124,740	-	1,464,776
Very low	842,050	27,825	-	869,875
Low	878,515	-	-	878,515
Medium	3,048	-	-	3,048
Carrying amount - fair value	3,063,649	152,565	-	3,216,214
Expected credit loss	(1,439)	(40)	-	(1,479)

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account (Contd.)

Investment assets (Contd.)

Movements in allowances for impairment losses for financial investments are as follows:

Shareholder's fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial investments at FVOCI				
As at 1 January 2018	-	-	-	-
New financial assets originated or purchased	147	-	-	147
As at 31 December 2018	147	-	-	147

Family takaful fund

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Total
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial investments at FVOCI				
As at 1 January 2018	-	-	-	-
Effect from adoption of MFRS 9	1,365	42		1,407
Net adjustment of loss allowance	(25)	(2)	-	(27)
New financial assets originated or purchased	387	1	-	388
Financial assets that have been derecognised	(289)	-	-	(289)
As at 31 December 2018	1,438	41	-	1,479

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account (Contd.)

Other financial assets

Prior to 1 January 2018, the Group and the Company assess the impairment loss of its receivables where impairment loss is deemed to be incurred if there is objective evidence that loss event(s) has occurred which has an impact on the estimated future cash flows of the receivables that can be reliably measured and the carrying amount exceed the recoverable amount. Losses expected as a result of future events, no matter how likely, are not permitted to be recognized. Assessment of impairment falls under the concept of individual and collective assessment. The method of measuring for impairment individually or collectively on receivables will depend on the significance of the receivables amount.

Upon implementation of MFRS 9, the Group and the Company apply Simplified Approach where the ECL is measured at initial recognition of the receivables using a provision matrix based on historical data or also known as roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance premium type’s arrangement respectively with forward looking element being applied to it.

Movements in allowance for impairment losses for financial assets are as follows:

2018

Shareholder's fund	**Financing receivables RM'000** (Note 6)	**Takaful receivables RM'000** (Note 8)	**Other receivables RM'000** (Note 9)	**Total RM'000**
Lifetime ECL				
As at 1 January 2018	2,226	-	2,317	4,543
Net adjustment of loss allowance	227	-	(14)	213
As at 31 December 2018	2,453	-	2,303	4,756
Family takaful fund				
Lifetime ECL				
As at 1 January 2018	11	2,292	510	2,813
Effect from adoption of MFRS 9	-	1,259	-	1,259
As at 1 January 2018	11	3,551	510	4,072
Net adjustment of loss allowance	5	420	(2)	423
As at 31 December 2018	16	3,971	508	4,495

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42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account

Movements in allowance for impairment losses for financial assets are as follows:

2017

	Financing receivables RM'000 (Note 6)	Retakaful assets RM'000 (Note 7)	Takaful receivables RM'000 (Note 8)	Other receivables RM'000 (Note 9)	Total RM'000
Shareholder's fund					
Individual allowance					
At 1 January 2017	781	-	-	1,237	1,237
Reversal of impairment losses during the year	1,438	-	-	1,080	1,080
At 31 December 2017	2,219	-	-	2,317	2,317
Collective allowance					
At 1 January/ 31 December 2017	-	-	-	-	-
General takaful fund					
Individual allowance					
At 1 January 2017	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 2017	3,331	4	4,543	-	7,878
Collective allowance					
At 1 January 2017	-	-	1,423	-	1,423
Reversal of impairment losses during the year	-	-	199	-	199
At 31 December 2017	-	-	1,622	-	1,622
Family takaful fund					
Individual allowance					
At 1 January 2017	11	-	1,643	510	2,164
(Reversal of)/allowance for impairment losses during the year	-	-	68	-	68
At 31 December 2017	11	-	1,711	510	2,232
Collective allowance					
At 1 January 2017	-	-	437	-	437
Allowance for impairment losses during the year	-	-	144	-	144
At 31 December 2017	-	-	581	-	581

42. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Financial effect of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables	**Type of collaterals**
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 87.72% as at 31 December 2018 (2017: 88.26%). The financing receivables include staff loans and non-staff loans which amounted to RM 16.41 million as at 31 December 2018 (2017: RM17.2 million). These loans are collateralised in the form of charges over residential properties which are worth RM25.6 million (2017: RM24.8 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.

42. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

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 liabilities 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 form 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.

42. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

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**
2018						
Financial investments:						
FVTPL	1,727,020	94,591	464,652	2,158,478	105,212	2,822,933
FVOCI	275,279	111,203	54,859	259,543	-	425,605
AC	171,853	171,853	-	-	-	171,853
Financing receivables	16,406	1,782	8,630	6,573	-	16,985
Other receivables	223,762	223,762	-	-	-	223,762
Cash and bank balances	43,664	43,664	-	-	-	43,664
Total assets	2,457,984	646,855	528,141	2,424,594	105,212	3,704,802
Subordinated obligation*	301,189	301,189	-	-	-	301,189
Expense liabilities**	445,941	36,108	107,212	598,158	-	741,478
Takaful payables	12,428	12,428	-	-	-	12,428
Other payables	97,987	97,987	-	-	-	97,987
Total liabilities	857,545	447,712	107,212	598,158	-	1,153,082

* 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 (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Shareholder's fund (Contd.)	**Carrying value RM'000**	**Up to a year RM'000**	**1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
2017						
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
Total assets	2,723,843	505,926	755,364	2,763,654	155,039	4,179,983
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
Total liabilities	820,729	183,750	144,815	574,694	-	903,259

* 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).

42. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

General 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
2017						
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
Total assets	2,064,916	682,962	1,255,391	336,431	12,668	2,287,452
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
Total liabilities	1,557,249	1,078,596	273,792	8,559	196,302	1,557,249

* Excluding contribution liabilities and retakaful operators' share of 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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ETIQA FAMILY TAKAFUL BERHAD
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42. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

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
2018						
Financial investments:						
FVTPL	6,466,668	517,494	2,175,329	7,300,040	540,299	10,533,162
FVOCI	3,216,214	215,814	1,034,317	4,354,270	-	5,604,401
AC	627,356	627,356	-	-	-	627,356
Retakaful assets	73,802	15,920	18,324	78,237	-	112,481
Takaful receivables	75,591	75,591	-	-	-	75,591
Other receivables	166,131	166,131	-	-	-	166,131
Cash and bank balances	103,532	103,532	-	-	-	103,532
Total assets	10,729,294	1,721,838	3,227,970	11,732,547	540,299	17,222,654
Participants' fund	3,233,339	1,446,340	-	1,783,530	3,469	3,233,339
Takaful certificate liabilities	7,053,776	3,463,928	1,462,852	3,615,276	163,622	8,705,678
Takaful payables	33,515	33,515	-	-	-	33,515
Other payables	431,612	431,612	-	-	-	431,612
Total liabilities	10,752,242	5,375,395	1,462,852	5,398,806	167,091	12,404,144

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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ETIQA FAMILY TAKAFUL BERHAD
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42. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Family takaful fund (Contd.)	**Carrying value RM'000**	**Up to a year RM'000**	**1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
2017						
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
Total assets	10,166,557	1,693,616	3,119,912	9,972,173	909,150	15,694,851
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
Total liabilities	10,190,662	4,771,246	1,402,318	3,747,746	105,607	10,026,917

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).

42. FINANCIAL RISKS (CONTD.)

(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) types of risk:

(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) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.

(a) Compliance with the policies is monitored exposures and breaches are reported as soon as practical.

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The 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.

42. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(a) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The 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) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
(b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising quality; 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.

42. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Profit Yield Risk (Contd.)

		2018		2017	
Funds	**Changes in variables**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
Share-holders	+100 basis points	(150,227)	(127,856)	-	(144,450)
	-100 basis points	150,227	127,856	-	144,450
General takaful	+100 basis points	-	-	-	(20,526)
	-100 basis points	-	-	-	20,526
Family takaful	+100 basis points	(113,873)	(127,243)	(91,499)	(101,085)
	-100 basis points	113,873	127,243	91,499	101,085

* Impact on equity is after tax of 24% (2017: 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.

42. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(c) Equity Price Risk (Contd.)

Market Indices - Bursa Malaysia

Funds	Changes in variables	2018 Impact on equity* RM'000	2017 Impact on equity* RM'000
Shareholders	+10%	7,996	11,783
	-10%	(7,996)	(11,783)
General takaful	+10%	-	433
	-10%	-	(433)
Family takaful	+10%	6,791	14,583
	-10%	(6,791)	(14,583)

* Impact on equity is after tax of 24% (2017: 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 assoicated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Company and its core operation causing material adverse impact to the earnings, capital or total assets.

Concentration risk relates to non-diversified portfolios and arises due to high exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The 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.

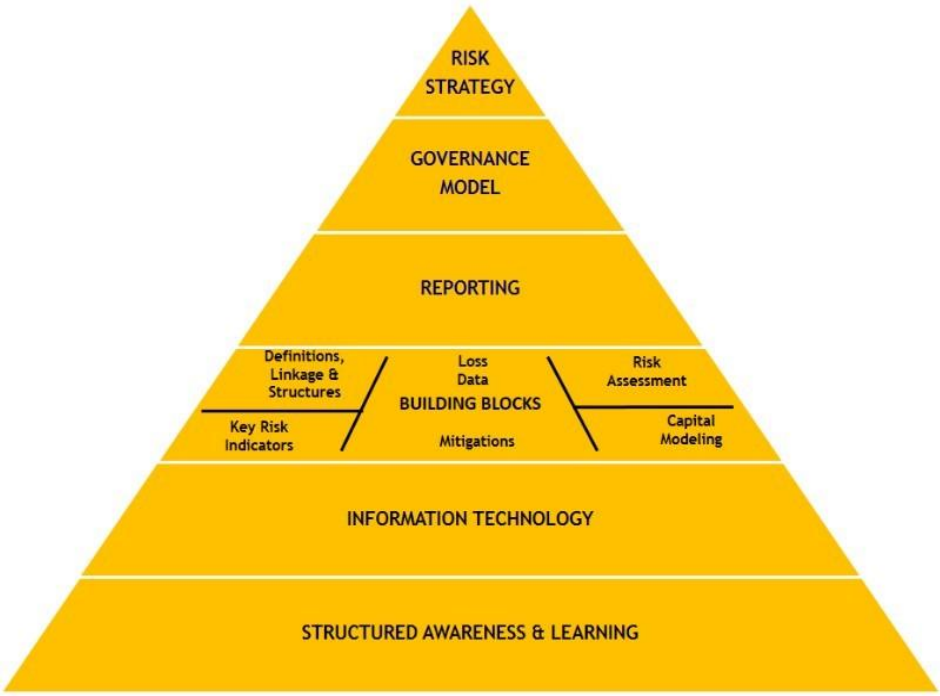
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

43. OPERATIONAL RISKS

Operational Risk Management ("ORM") is the discipline of systematically identifying the causes of failures in the organisation's day-to-day operation, 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.

The methodology and components adopted in operational risk are summarised in the diagram below.



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective operational risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the operational risks that affect Etiqa are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and through awareness and learning programme.

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also include fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

43. OPERATIONAL RISKS (CONTD.)

Operational Risk Taxonomy (Contd.)

(ii) External Fraud

Losses due to fraudulent activities/ theft perpetrated by third party against the company/organisation. External fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/ incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

(iii) Employment Practices and Workplace Safety

(i) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation, and low morale;
(ii) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees;
(iii) Diversity & discrimination - failure to provide equalities in the employment practice.

(iv) Client or Products and Business Practices

This risk covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

43. OPERATIONAL RISKS (CONTD.)

Operational Risk Taxonomy (Contd.)

(viii) Information Technology Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber Risk that can lead to losses due to cyber-crime and cyber terrorism.

(ix) People & Performance Risk

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

(x) Model Risk

Risk of a model not performing the tasks or capture the risks it was designed to.

(xi) Information Risk

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

(xii) Legal Risk

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

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.

The end-to-end Shariah Compliant governance is executed through four (4) Lines of Defence that cater both pre-execution and post-execution matters. These are being managed by Business Unit (1st Line), Shariah Management (2nd Line), Shariah Risk Review & Shariah Risk Management function (3rd Line), and Shariah Audit (4th Line).

44. 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.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment, legislation.

(ii) Corporate Governance Risk

Risk of failure in the process and structure used to direct and manage the business and affairs of MAHB Group towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iii) Industry Risk

Risk arising from changes in opportunities, threats, competitors and other conditions affecting the attractiveness of an industry.

(iv) Distribution Risk

This is the risk of a loss due to distribution plans deviating adversely from expectations, especially in reliance on external parties and partners for the distribution and may include causes such as lack of alignment of incentives, poor relationship management and lack of sufficient bargaining power in the relationship.

(v) Reputational Risk

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

(vi) Business & Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

45. 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.

45. FAIR VALUES MEASUREMENTS (CONTD.)

(a) Valuation principles (Contd.)

The levels of the fair value hierarchy as defined by the MFRS 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 over-the-counter ("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.

45. FAIR VALUES MEASUREMENTS (CONTD.)

(b) Valuation techniques

(i) Cash and cash equivalents and other receivables/payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest/profit rates which are comparable with the rates offered on similar instruments in the market and to counterparties with similar credit profiles. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(viiii) and Note 2.2(xv). 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(iv) and Note 2.2(v). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.

45. FAIR VALUES MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy

Shareholder's Fund

	Valuation techniques using:			
	Level 1 Quoted market prices RM'000	**Level 2 Observable inputs RM'000**	**Level 3 Significant Unobservable inputs RM'000**	**Total RM'000**
2018				
FVTPL financial investments				
- Designated upon initial recognition				
Malaysian government papers	-	109,211	-	109,211
Unquoted debt securities in Malaysia	-	1,512,597	-	1,512,597
- HFT				
Quoted equity securities in Malaysia	80,279	-	-	80,279
Quoted unit and property trust funds in Malaysia	24,933	-	-	24,933
FVOCI financial investments				
Malaysian government papers	-	29,867	-	29,867
Unquoted debt securities in Malaysia	-	245,412	-	245,412
Total assets	105,212	1,897,087	-	2,002,299
2017				
Assets				
AFS financial investments				
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
Investment-linked units	25,233	-	-	25,233
Total assets	155,039	2,152,794	-	2,307,833

45. FAIR VALUES MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (Contd.)

General takaful fund

	Valuation techniques using:			
	Level 1 Quoted market prices RM'000	**Level 2 Observable inputs RM'000**	**Level 3 Non Observable inputs RM'000**	**Total RM'000**
2017				
AFS financial investments				
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
Total assets	12,668	1,482,429	-	1,495,097

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45. FAIR VALUES MEASUREMENTS (CONTD.)

(c)

Fair value measurements and classification within the fair value hierarchy (Contd.)

Family takaful fund

	Valuation techniques using:			
	Level 1 Quoted market prices RM'000	**Level 2 Observable inputs RM'000**	**Level 3 Non Observable inputs RM'000**	**Total RM'000**
2018				
FVTPL financial investments				
- Designated upon initial recognition				
Malaysian government papers	-	168,858	-	168,858
Unquoted debt securities in Malaysia	-	5,713,685	-	5,713,685
- HFT				
Malaysian government papers	-	7,020	-	7,020
Unquoted debt securities in Malaysia	-	36,806	-	36,806
Quoted equity securities in Malaysia	540,033	-	-	540,033
Quoted unit and property trust funds outside Malaysia	266	-	-	266
FVOCI financial investments				
Malaysian government papers	-	166,846	-	166,846
Unquoted debt securities in Malaysia	-	3,049,368	-	3,049,368
	540,299	9,142,583	-	9,682,882

45. FAIR VALUES MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (Contd.)

Family takaful fund

	Valuation techniques using:			
	Level 1 Quoted market prices RM'000	**Level 2 Observable inputs RM'000**	**Level 3 Non Observable inputs RM'000**	**Total RM'000**
2017				
Financial investments at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	140,809	-	140,809
Unquoted debt securities in Malaysia	-	4,907,022	-	4,907,022
NICD	-	108,438	-	108,438
- HFT				
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
AFS financial investments				
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
	909,150	8,211,071	-	9,120,221

45. FAIR VALUES MEASUREMENTS (CONTD.)

(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 determines 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 2018.

(e) Movements of Level 3 instruments

	General Takaful Fund	Family Takaful Fund	
	Financial instruments measured at fair value	Financial instruments measured at fair value	
2018 / 2017	**AFS RM'000**	**AFS RM'000**	**Designated at FVTPL RM'000**
As at 1 January 2017	4,290	31,812	18,913
Recognised in income statement:			
Realised gain	187	1,387	825
Fair value gain	-	-	(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 / 2018	-	-	-
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting year	187	1,387	(4,266)
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting year	(1,155)	(8,563)	-

(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.

46. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2018, as prescribed under the RBCT Framework, is provided below:

Company

	2018 RM'000	2017 RM'000
Eligible Tier 1 Capital		
Paid up share capital	100,000	400,000
Valuation surplus in takaful funds	1,783,526	1,919,543
Retained earnings	1,544,234	1,382,972
	3,427,760	3,702,515
Tier 2 Capital		
Available-for-sale reserves	3,982	(61,971)
Subordinated obligation	300,000	300,000
	303,982	238,029
Amount deducted from capital	(13,619)	(26,567)
Total Capital Available	3,718,123	3,913,977

The Company's capital available consist of Family takaful funds for the financial year ended 2018 which is the prescribed formula in the BNM Risk Based Capital Takaful ("RBCT") framework. For the financial year ended 2017, the Company's capital available consists of both Family and General takaful funds.

47. SIGNIFICANT EVENT

On 19 December 2017, the High Court has granted approval for EFTB to reduce its issued and paid-up capital from 400,000,000 ordinary shares to 100,000,000 ordinary shares amounting from RM400 million to RM100 million. Subsequently, MAHB received a capital repayment of RM300 million from EFTB upon the lodgement to Companies Commission of Malaysia (“CCM”) on 21 March 2018.

48. COMPARATIVE FIGURES

The comparative number for the Company represents Family Takaful and the Takaful Operators' figures only, net of elimination and excludes the General Takaful figures which have been classified separately as assets and liabilities held for sale.