MNRB HOLDINGS BERHAD
197201001795 (13487-A)

# ACCELERATING GROWTH FOR
# A SUSTAINABLE FUTURE

ANNUAL REPORT 2023

50th Anniversary
MNRB HOLDINGS BERHAD

# 50TH ANNUAL GENERAL MEETING

**Day and Date** : Wednesday, 20 September 2023
**Time** : 11.00 a.m.
**Broadcast venue** : Dillenia Room, Level G, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur.
**Meeting Platform** : https://meeting.boardroomlimited.my/


Scan the QR code to download our Annual Report 2023 or visit our website
**https://www.mnrb.com.my/investor-relations/annual-report**

# INSIDE THIS REPORT

## OUR BUSINESS



## PERFORMANCE & OUTLOOK



## FINANCIAL REVIEW



## GOVERNANCE



## FINANCIAL REPORT



## OTHER INFORMATION



This report has been published as an interactive PDF, allowing readers to move quickly and easily to pages in the report, and including shortcuts to related web pages.

# KEY HIGHLIGHTS AND MILESTONES

## FINANCIAL HIGHLIGHTS

**TOTAL REVENUE**
**RM3.7 billion**

**TOTAL ASSET VALUE**
**RM12.4 billion**

**PROFIT BEFORE ZAKAT AND TAX**
**RM151.0 million**

**MARKET CAPITALISATION**
(31 March 2023)
**RM728.3 million**

**PROFIT AFTER ZAKAT AND TAX**
**RM119.5 million**

## BUSINESS HIGHLIGHTS

**Malaysian Re won ASEAN Reinsurer of the Year Award 2022 at the Insurance Asia News Awards for Excellence**

**'GO by Takaful IKHLAS' won Malaysia Technology Excellence Awards 2022 (Insurtech – Financial Technology Award)**

**13.5% Growth in Gross Written Premiums and Gross Takaful Contributions**

## SUSTAINABILITY HIGHLIGHTS

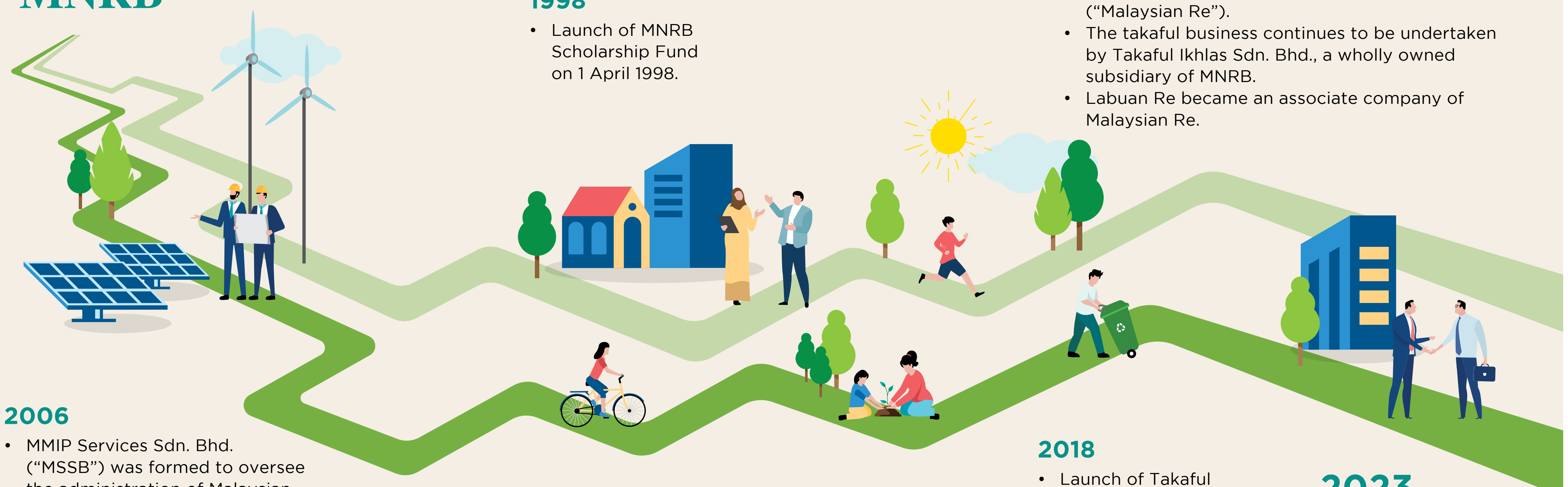
**Workforce Diversity (Gender)**

**44%** Male

**56%** Female

**88%** Score Employee Engagement Index

**Scholarship Contribution of RM18.6 million since inception**



### 1973

- Malaysian National Reinsurance Berhad commenced operations on 19 February 1973. The Company was set up to reduce the outflow of reinsurance premiums overseas.

### 1998

- Launch of MNRB Scholarship Fund on 1 April 1998.

### 2002

- Incorporation of Takaful Ikhlas Sdn. Bhd. on 18 September 2002.

### 2005

- The Group's restructuring exercise was completed on 1 April 2005 and hereon Malaysian National Reinsurance Berhad became MNRB Holdings Berhad ("MNRB"). The new holding company is an investment holding company that focuses on business expansion to broaden the Group's income base and further strengthen its financial position.
- The reinsurance business was then transferred to a newly incorporated one hundred percent (100%) subsidiary of MNRB, Malaysian Reinsurance Berhad ("Malaysian Re").
- The takaful business continues to be undertaken by Takaful Ikhlas Sdn. Bhd., a wholly owned subsidiary of MNRB.
- Labuan Re became an associate company of Malaysian Re.

### 2006

- MMIP Services Sdn. Bhd. ("MSSB") was formed to oversee the administration of Malaysian Motor Insurance Pool ("MMIP"), a pool established by the insurance industry to provide insurance coverage for vehicle owners who find difficulty in obtaining coverage.
- MNRB obtained BNM's approval to establish a retakaful operation under the then Takaful Act, 1984 to conduct both General and Family Retakaful businesses. The wholly owned subsidiary company of MNRB was known as MNRB Retakaful Berhad ("MRT").
- Malaysian Re (Dubai) Ltd. ("MRDL"), a wholly owned subsidiary of Malaysian Re was incorporated.

### 2007

- MRT commenced operations in August 2007 as the first retakaful operator in Malaysia.

### 2016

- Malaysian Re received the licence granted by the Minister of Finance to carry on General and Family Retakaful businesses effective from 13 April 2016.

### 2017

- On 1 December 2017, the Group completed its restructuring process involving the transfer of the General and Family Retakaful businesses from MRT to Malaysian Re. From then onwards, the Retakaful business of the Group is carried out by Malaysian Re through its Retakaful Division.

### 2018

- Launch of Takaful IKHLAS new corporate structure. Takaful Ikhlas Berhad is renamed to Takaful Ikhlas Family Berhad ("Takaful IKHLAS Family") and manages the family takaful business. Its general takaful business is managed by a new entity, Takaful Ikhlas General Berhad ("Takaful IKHLAS General").

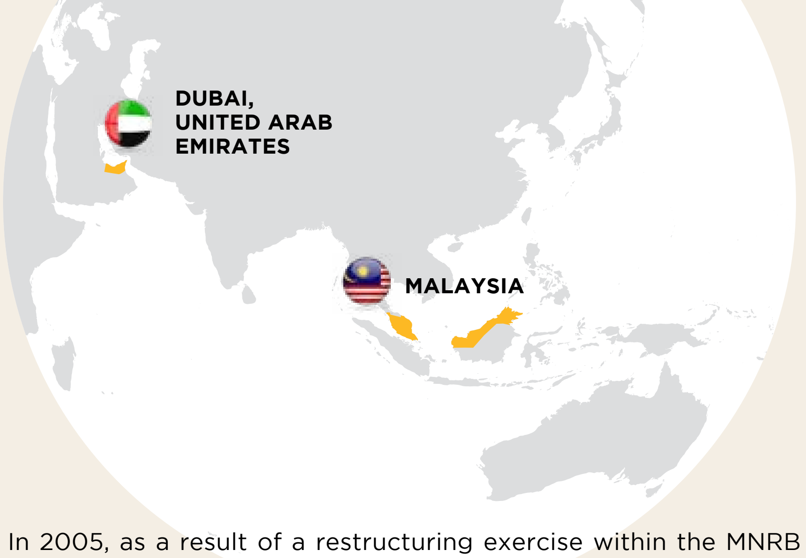
### 2023

- **MNRB's 50th Anniversary**
- **Takaful IKHLAS' 20th Anniversary**

OUR BUSINESS
PERFORMANCE & OUTLOOK
FINANCIAL REVIEW
GOVERNANCE
FINANCIAL REPORT
OTHER INFORMATION

# WHO WE ARE

**Malaysian National Reinsurance Berhad, the country's national reinsurer was set up in 1972 to reduce the outflow of reinsurance premiums overseas. The Company commenced operations on 19 February 1973.**




In 2005, as a result of a restructuring exercise within the MNRB Group, the Company's reinsurance licence, business and assets were transferred to its subsidiary company, Malaysian Reinsurance Berhad. Pursuant to the restructuring, Malaysian National Reinsurance Berhad became an investment holding company and changed its name to MNRB Holdings Berhad ("MNRB"). Today, MNRB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The MNRB Group comprises a leading wholesale provider of reinsurance and retakaful as well as two takaful operators. Its reinsurance subsidiary stands tall among the top reinsurers in the region, writing lines of general businesses locally and abroad. In Malaysia, its takaful operators are amongst the pioneers in the provision of financial protection services based on the takaful system.

**The Company has a Share Capital of RM738.5 million.**

## MALAYSIAN RE

MALAYSIAN RE

**Malaysian Reinsurance Berhad ("Malaysian Re")** is a wholly owned subsidiary of MNRB Holdings Berhad. As the national reinsurer, Malaysian Re continues to enhance the competitiveness and efficiency of the local insurance companies in an increasingly globalised marketplace through its active involvement in leading and underwriting their reinsurance needs.

Malaysian Re underwrites all classes of general reinsurance business as well as general and family retakaful businesses through its retakaful division, Malaysian Re Retakaful Division.

Leveraging on its breadth and depth of experience and expertise, strong fundamentals and proven record of accomplishment, Malaysian Re has grown in stature as an international player having established a strong market presence in Asia and the Middle East.

Malaysian Re is the largest national reinsurer (by asset) in the Southeast Asia region.

The Company has a Share Capital of RM663.1 million.

## TAKAFUL IKHLAS FAMILY

Takaful IKHLAS FAMILY

Takaful Ikhlas Sdn. Bhd. was incorporated on 18 September 2002 and is a wholly owned subsidiary of MNRB Holdings Berhad. The Company converted its status to Berhad on 5 May 2014.

On 30 November 2018, the Company announced the split of its composite takaful licence into two i.e. one for family takaful business and the other for general takaful business. The split is in accordance with the legislative requirement under the Islamic Financial Services Act, 2013 ("IFSA").

Pursuant to this, Takaful Ikhlas Berhad was renamed **Takaful Ikhlas Family Berhad ("Takaful IKHLAS Family")** and manages the family takaful business. The general takaful business is being managed by a new entity, Takaful Ikhlas General Berhad ("Takaful IKHLAS General").

Takaful IKHLAS Family offers a comprehensive range of family takaful products and currently records more than 260,000 certificate (inforce policy) holders as well as more than 4,000 agents.

The Company has a Share Capital of RM405.0 million.

## TAKAFUL IKHLAS GENERAL

Takaful IKHLAS GENERAL

**Takaful Ikhlas General Berhad ("Takaful IKHLAS General")** was incorporated on 5 June 2017 as a wholly owned subsidiary of MNRB Holdings Berhad, following the legislative requirement under the IFSA which requires Takaful Operators to separate its family and general takaful licences. The Company commenced operations on 28 November 2018 as the general takaful arm of MNRB.

Takaful IKHLAS General offers a comprehensive range of general takaful solutions which comprises motor and non-motor general takaful protection products. The Company is committed to deliver quality services through competent staff and effective distribution networks. Its distribution channels comprise knowledgeable and well-trained agents, brokers, financial institutions, motor franchise holders and cooperatives as well as the digital platform.

Takaful IKHLAS General currently records more than 1.2 million registered certificate (policy) holders and more than 3,500 agents.

The Company has a Share Capital of RM230.0 million.

## MALAYSIAN RE (DUBAI)

MALAYSIAN RE DUBAI

**Malaysian Re (Dubai) Ltd. ("MRDL")**, a wholly owned subsidiary of MNRB Holdings Berhad, was incorporated on 7 December 2006 in Dubai, the United Arab Emirates. Its office is situated within the strategic Dubai International Financial Centre ("DIFC") and regulated by the Dubai Financial Services Authority ("DFSA").

MRDL is engaged in developing business for its sister company, Malaysian Re in the Middle East. Its primary functions are to develop relationships with clients around this region as well as provide services and underwriting support to them. Its close proximity to this target market gives MRDL an edge when servicing its clients.

All businesses of MRDL are fully underwritten by Malaysian Re. MRDL will continue to expand its market presence and is committed to being at the forefront of the reinsurance and retakaful segments within the region.

MRDL has an Authorised Capital of USD5.0 million and a Paid-up Capital of USD2.0 million.

# CORPORATE INFORMATION

| BOARD OF DIRECTORS | |
|---|---|
| **DATUK JOHAR CHE MAT**<br>Non-Independent Non-Executive Chairman | **JUNAIDAH MOHD SAID**<br>Independent Non-Executive Director |
| **GEORGE OOMMEN**<br>Senior Independent Non-Executive Director | **ZAIDA KHALIDA SHAARI**<br>Independent Non-Executive Director |
| **KHALID SUFAT**<br>Independent Non-Executive Director | **DATO' WAN ROSHDI WAN MUSA**<br>Independent Non-Executive Director |

### PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER
**Zaharudin Daud**

### COMPANY SECRETARY
**Lena Abd Latif**
(LS 0008766)

### AUDIT COMMITTEE
**Khalid Sufat** (Chairman)
**George Oommen**
**Junaidah Mohd Said**

### GROUP NOMINATION & REMUNERATION COMMITTEE
**Zaida Khalida Shaari** (Chairman)
**Junaidah Mohd Said**
**Khalid Sufat**
**Shareen Ooi Bee Hong**
**Dr. Wan Zamri Wan Ismail**

### RISK MANAGEMENT COMMITTEE OF THE BOARD
**George Oommen** (Chairman)
**Dato' Wan Roshdi Wan Musa**
**Datuk Johar Che Mat**
**Zaida Khalida Shaari**

### GROUP INVESTMENT COMMITTEE
**Dato' Wan Roshdi Wan Musa**
(Chairman)
**Datuk Johar Che Mat**
**George Oommen**
**Dato' Amirudin Abdul Halim**
**Zaharudin Daud**
**Datin Joanne Marie Lopez**
*(Appointed w.e.f 1 April 2023)*
**Datin Zaimah Zakaria**
*(Resigned w.e.f 1 April 2023)*

### AUDITORS
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202006000003
(LLP0022760-LCA) & AF: 0039
Chartered Accountants
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Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : +603-7495 8000
Fax : +603-2095 5332

### SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7890 4700
Fax : +603-7890 4670
E-mail : BSR.Helpdesk@boardroomlimited.com

### PRINCIPAL BANKERS
**Ambank (M) Berhad/ Ambank Islamic Berhad**
**Malayan Banking Berhad/ Maybank Islamic Berhad**
**Standard Chartered Bank Malaysia Berhad**
**Standard Chartered Saadiq Berhad**
**CIMB Bank Berhad/ CIMB Islamic Bank Berhad**
**Bank Islam Malaysia Berhad**

### REGISTERED OFFICE
12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : +603-2096 8000
Fax : +603-2096 7000
E-mail : enquiry@mnrb.com.my
Website : www.mnrb.com.my

### STOCK EXCHANGE LISTING
**Main Market of Bursa Malaysia Securities Berhad**
Stock Name : MNRB
Stock Code : 6459
Stock Sector : Financial Services



# GROUP CORPORATE STRUCTURE


** Associate Company*

# OUR BUSINESS MODEL

## OUR BUSINESS PILLARS

Our business is positioned on two main pillars: Family and General Takaful in Malaysia as well as Reinsurance and Retakaful in Malaysian and overseas markets:

**Domestic Takaful**
- Family
- General

**Reinsurance and Retakaful**
- Domestic
- International

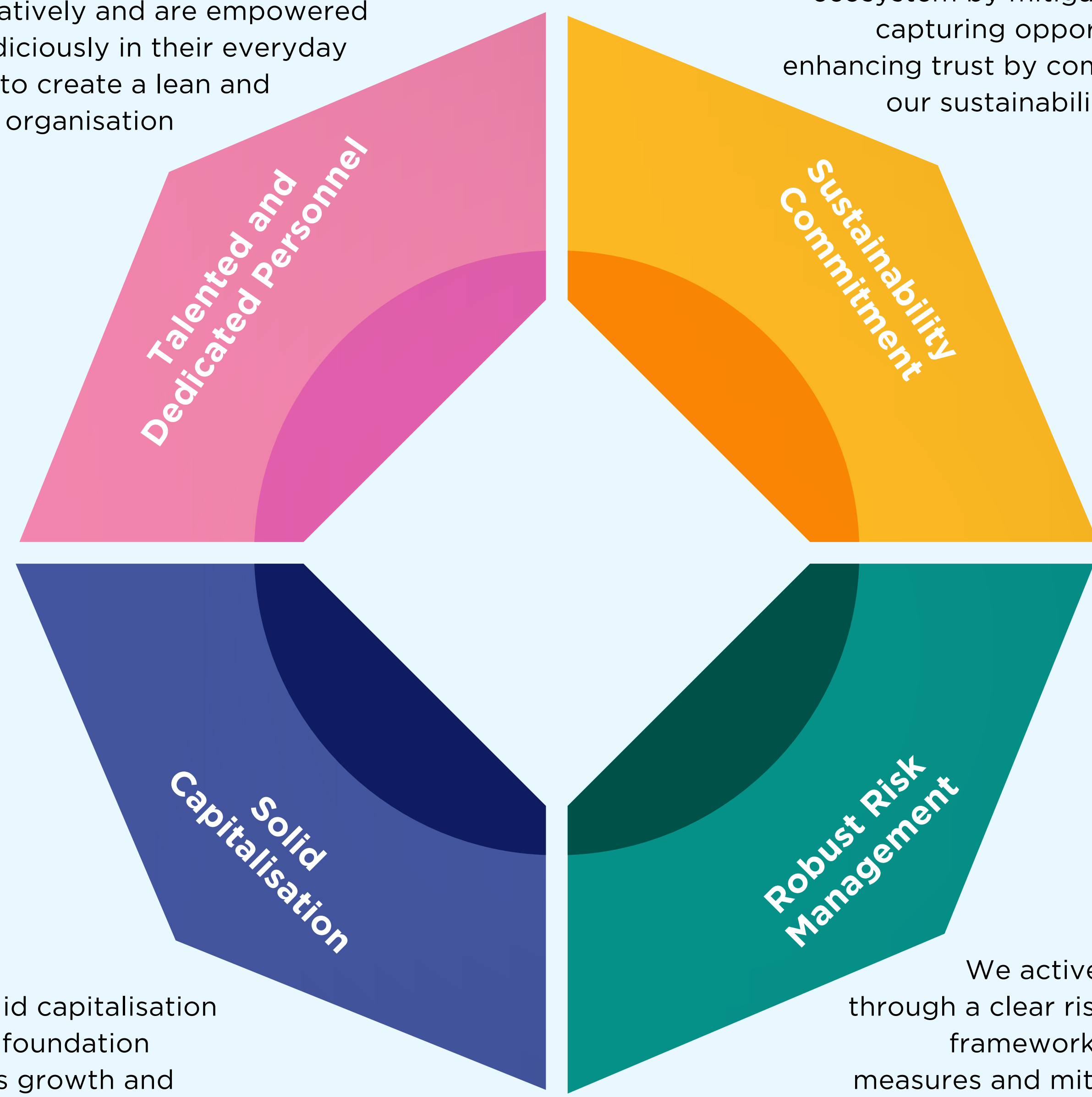
The Group supports these pillars with our various business enablers that perform diverse functions, e.g. information technology, human capital, finance and risk management, amongst others.

## OUR GROWTH DRIVERS

**Our growth drivers are strategically focused to achieve the respective aims of our business pillars in Malaysia and our overseas markets:**

Our personnel are encouraged to think creatively and are empowered to act judiciously in their everyday dealings to create a lean and effective organisation

We actively promote for sustainable ecosystem by mitigating impact, capturing opportunities and enhancing trust by communicating our sustainability initiatives




The Group's solid capitalisation forms a critical foundation for our business growth and profitability

We actively manage risk through a clear risk management framework that identifies, measures and mitigates the risks that we are willing to tolerate

## VALUE CREATION FOR OUR STAKEHOLDERS

**Our People**
- Exciting career paths and systematic professional development
- Competitive remuneration and benefits

**Our Shareholders**
- Share price appreciation and dividends

**Our Customers**
- Balancing risk and opportunities, providing financial protection for continuity of lives and livelihoods

**Our Regulators**
- Development of local and international insurance and takaful markets

**Our Communities**
- Supporting economic growth
- Promoting economic, societal and environmental resilience

# GROUP CODE OF ETHICS

The Code promotes a culture of compliance, professionalism, ethical standards and responsible conduct among its Board of Directors (including Group Shariah Committee members), management, employees and stakeholders, as well as third parties, and discourages any conduct that may have an adverse impact to the Group. It makes references to the underlying Group policies and procedures, which offers specific ethical and legal guidance to assist the Group in making business decisions professionally, prudently and legitimately.

The purpose of this Code is to:

- Ensure compliance with the regulatory rules and regulations as well as all the internal policies and procedures;
- Uphold the reputation of the Group and maintain public confidence; and
- Uphold the highest standard of personal integrity and professionalism of MNRB Group.

### MNRB GROUP'S STAND AGAINST CORRUPTION

The Group has adopted a zero-tolerance approach against all forms of bribery and corruption. We are committed to conduct our business in accordance with all applicable laws, rules and regulations at the highest ethical standards. The Group has established its Group Anti-Bribery & Corruption Policy ("ABC Policy") to show its commitment in combatting corruption and to support the National Anti-Corruption Plan ("NACP") initiated by the Government.

### THE FOUNDATIONS ON HOW WE DO BUSINESS AS A GROUP

The Group runs its business based on:

i. Integrity, intelligence, care and professionalism;
ii. Equal opportunities and non-discrimination to all;
iii. Zero-tolerance on any type of harassment and violence;
iv. Safe and sound working environment;
v. Ethical internal and external communication;
vi. Proper dealing with confidential information; and
vii. Commitment towards sustainable development

### DEALING WITH STAKEHOLDERS

The Group always act with the best interests of the Group and stakeholders in mind. In no way should a staff personally profit from transactions based on his/her role or position in the Group. Potential conflicts of interest should be avoided, either real or perceived.

The Group is committed to comply with the anti-money laundering and counter financing of terrorism rules and regulations by prohibiting and actively prevent any activity that facilitates money laundering and financing of terrorism.

As a responsible corporate citizen, we are committed to contributing to the well-being of the people and the country. It is important that all Corporate Social Responsibility ("CSR"), sponsorships and donations are made in accordance with the Group policies.

Please refer to https://www.mnrb.com.my/about-us/corporate-governance/code-of-ethics for detailed information on the MNRB Group Code of Ethics.



# CHAIRMAN'S STATEMENT

**Dear Valued Shareholders,**

On behalf of the Board of Directors, it is my pleasure and a privilege to present to you the Annual Report of MNRB Holdings Berhad ("MNRB" or "the Group") for the financial year ending 31 March 2023 ("FY2023").

**DATUK JOHAR CHE MAT**
Chairman

### A YEAR OF RESILIENT RECOVERY

In 2022, the global economy continued to experience fluctuating growth due to multiple factors including the COVID-19 pandemic, China's zero-COVID approach, the conflict in Ukraine, increasing inflation and more stringent monetary measures. Although the pandemic persisted, many countries were able to initiate the removal of containment measures and re-establish cross-border access following the successful implementation of mass vaccination programmes and efficient management strategies. The resumption of global trade consequently led to a significant recovery in labour markets.

However, this initial upward trajectory soon plateaued as inflation rates soared to unprecedented levels, primarily driven by heightened demand, shortages in the labour markets and escalating commodity prices, especially in the US and Europe. Although gas and energy price surged in these regions caused by the conflict in Ukraine, Asia experienced comparatively lower inflation levels due to the implementation of price controls, energy subsidies and lower inflation on essential foods.

On the domestic front, the Malaysian market emerged from the pandemic to make a resilient recovery in most sectors. As more economic sectors and the nation's borders opened up following the easing of operational restrictions, the economy embarked on its journey of recovery. Economic recovery was bolstered by the strong demand for domestic goods, the return of tourism, and significant policy support, as well as an increase in exports on both the manufacturing and commodity fronts.

The recovery persisted as private sector spending propelled the economy forward, leading to improved labour market conditions and higher wages. Additionally, pent-up demand and government assistance, including subsidies on specific consumer goods and seasonal price regulations, bolstered household spending and mitigated the impact of significant prices hikes.

Against this backdrop of resilient economic recovery, the MNRB Group continued to focus its efforts on growing the businesses across all its entities and investing in people, platforms and partnerships to ensure sustainable, long-term growth. FY2023 saw us making solid progress on several fronts. Our comprehensive reinsurance and takaful service offerings enabled us to fortify our position in the market, ensuring our partners and stakeholders benefited from our expertise and unwavering commitment to service excellence.

By way of our financial performance, I am pleased to report that MNRB recorded a 13.5% increase in Gross Premiums and Gross Contributions touching RM3.4 billion in FY2023 in comparison to RM3.0 billion previously. I am especially pleased to say that the Group registered a higher profit after tax ("PAT") of RM119.5 million in comparison to RM114.4 million in the previous year. The 4.4% increase in PAT was mainly due to the higher contributions from Malaysian Re and Takaful IKHLAS General which rose by 11.6% and 37.0% respectively.

*For further information regarding our financial and operational performance, please turn to our Management Discussion & Analysis within this Annual Report.*

## COMMITTED TO CREATING SUSTAINABLE VALUE

50th Anniversary
MNRB HOLDINGS BERHAD

20 Years
TAKAFUL IKHLAS

The year in review marked MNRB's 50th year in operations as Malaysia's national reinsurer as well as Takaful IKHLAS' 20th anniversary since its launch in September 2002. For the past five decades, we have worked hard to ensure that MNRB lives up to its promise of 'protecting everyone'. To achieve this, we have remained agile and adaptable in our approach, steering our organisation in an orderly manner to meet the needs of our diverse stakeholders while remaining relevant to them. Be it through modernisation and digitalisation or the adoption of more holistic market practices, MNRB is committed to cultivating a forward-looking organisation that embraces innovation in the pursuit of sustainable value creation.

The financial year in review also saw us carrying out several other measures to ensure the Group's long-term sustainable growth.





### Bolstering Our Capabilities

In FY2023, we continued to roll out our ongoing Group Office Transformation ("GOT") initiative as well as enhance our digital capabilities to optimise operational efficiencies and elevate the service experience for our customers and partners.

The GOT initiative entails the modernisation of the Group's workspaces and serves as a brand and building refresh exercise that aims to accord our employees more flexible and dynamic work-life practices. In line with this, Takaful IKHLAS General as well as the Digital & Innovation Department relocated to newly-designed premises at Bangunan Malaysian Re effective 1 April 2023. Incorporating an open concept with hot desking that promotes environmental and economic sustainability, the new offices at Bangunan Malaysian Re will serve as the benchmark for the Group's future office transformation.

At the same time, we are making greater use of digitally-enabled facilities and hybrid working arrangements which are not only more conducive for our employees but are helping mitigate our carbon footprint.

We made further progress in enhancing our digital ecosystem, GO by Takaful IKHLAS, with the introduction of more digital solutions. Among these were GO Serve, an online claims submission platform that offers customers a fast and easy claims experience, and the GO Direct application which delivers flexible payment options by offering various e-wallet services on an online platform. Other improvements to the IKHLAS GO ecosystem encompassed GO Financial integration with new bancatakaful partners, GO Partner functionalities for General Takaful agents, as well as GO Financial as well as GO Direct Motor and PA product deployment, among several other enhancements.

We also continued to prioritise the development of strategic partnerships in line with our goal of expanding our market reach nationwide. We firmly believe that through value-based collaboration, we can collectively enhance our capabilities and deliver exceptional value to our customers while fortifying our market presence. This in turn will drive growth and profitability.

CHAIRMAN'S STATEMENT



The financial year also saw the reinsurance and takaful businesses leveraging tailor-made strategies to enable orderly and meaningful growth.

In line with its expansion ambitions, Malaysian Re continued to leverage its Business Remodelling initiative to accelerate growth and ensure sustainable profits. This involved the diversification of its business portfolio, accelerated growth of non-traditional segments, implementation of active capital management to support business growth, improvements in processes, as well as comprehensive human capital capacity-building measures.

To expand its footprint and market share, Takaful IKHLAS continued to improve its productivity, increase its outreach to customers and intensify customer service excellence efforts. This entailed the strengthening of agency competencies and continued deployment of digital capabilities to optimise its operations and enhance the customer experience. To drive takaful market penetration, our takaful businesses tapped bancatakaful partnerships to access a much wider audience and leveraged digital capabilities to forge new alliances with data-rich strategic partners.

*The finer details of our efforts to strengthen our capabilities can be found in the Management Discussion and Analysis section within this Annual Report.*

**Strengthening the Industry**

Being at the forefront of the insurance industry, the MNRB Group is committed to offering products, services and educational tools that holistically impact our stakeholders as well as the markets in which we operate. We not only aim to meet the diverse needs of all our stakeholders while fulfilling our role as a reliable and trustworthy partner, but also aspire to advance Environmental, Social, and Governance ("ESG") consciousness among industry players.

Today, Malaysian Re, our reinsurance and retakaful arm, is purposefully pursuing key sustainability initiatives at the regional level. Helming the ASEAN Reinsurance Working Committee, Malaysian Re has proposed the establishment of the ASEAN Green Energy Pool to support the growth of renewable energy insurance/takaful products. This initiative aims to provide insurance and takaful capacity and support for renewable energy products in ASEAN, with an emphasis on solar and wind energy.

ESG matters continue to gain prominence among industry players as evidenced by the trending topics in several of the Group's publications.

**We not only aim to meet the diverse needs of all our stakeholders while fulfilling our role as a reliable and trustworthy partner, but also aspire to advance ESG consciousness among industry players**

The sixth edition of Malaysian Re's flagship annual publication, *ASEAN Insurance Pulse 2022*, examines the decarbonisation of ASEAN economies and the implications of this for the insurance industry.

Meanwhile, *Malaysian Insurance Highlights 2022* appraises the increasing relevance of the ESG framework and its impact on Malaysia's insurers, the strategies applied by insurers to improve their ESG ratings, as well as the measures Malaysian Re is taking to support its cedants. The same issue also features a survey whereby chief executives and lead underwriters weigh in on the readiness of Malaysian insurance industry players to incorporate ESG measures into their business models.

Through these initiatives and publications, we aspire to not only lead, but also pave the way for the Malaysian insurance industry to become more ESG-oriented and sustainable.

Back in FY2022, Malaysian Re was appointed the Project Management Office ("PMO") and Fund Administrator of the government's Perlindungan Tenang Voucher ("PTV") Fund for the B40 group comprising the nation's low income earners. This initiative sought to meet the government and industry's shared objective of boosting the number of B40 participants enrolled in the national micro insurance programme as this group, which is typically vulnerable to financial shocks, remains under-protected.

Upon the commencement of the PTV programme in September 2021, vouchers amounting to RM21.5 million were allocated to eligible B40 recipients for the purchase of Perlindungan Tenang ("PT") insurance or takaful products from insurers and takaful operators ("ITOs"). By the programme's end in December 2022, the number of B40 PT policyholders had risen significantly from fewer than 50,000 policyholders before the PTV launch, to some 4.7 million policyholders. As a result, the penetration rate for PT insurance too substantially improved from less than 1% to close to 60% for 8 million eligible recipients in the B40 segment. In its role as the national reinsurer, Malaysian Re provided the service pro-bono to two million policyholders while reimbursing a total of RM228.0 million to participating ITOs.

**Embedding Sustainability in Greater Measure**

Through our comprehensive financial protection and risk management solutions, we aim to ensure that our clients' properties and businesses are adequately protected against adverse events. We complement this by the extended role we play in protecting vital segments of the economy through our reinsurance and retakaful offerings. As we undertake these responsibilities, we are ensuring that sustainability is embedded in a greater measure within our activities. We are committed to ensuring that our sustainability journey is one that balances out our pursuit of long-term, sustainable value creation with strong elements of social and environmental responsibility.

ESG considerations are integral to our decision-making processes, and we strive to align our operations with marketplace best practices. Our sustainability efforts today incorporate the value-based intermediation ("VBI") agenda which aligns with Maqasid Shariah which upholds the tenets of universal well-being and the avoidance of harm. The VBI agenda mandates financial institutions to deliver the intended outcomes of Shariah by enhancing the well-being of the people through the preservation of faith, lives, posterity, intellect and wealth.

At the same time, our sustainability agenda is guided by the United Nations' Sustainable Development Goals ("UN SDGs"), while the recommendations of the United Nations Environment Programme Finance Initiative Principles of Sustainable Insurance ("UNEP PSI") guide us in incorporating sustainability initiatives into our corporate and business activities.

In FY2023, we strengthened our approach to sustainability by initiating the development of the Group Sustainability Framework ("the Framework"). Complementing the current Group Sustainability Policy, the Framework will serve as the primary reference for all sustainability efforts by our operating entities. It outlines how sustainability-related initiatives are to be embedded via more structured planning, implementation, measurement, monitoring, and disclosure activities. The Framework, which is founded on Maqasid Shariah, underscores our corporate core value of '**We Protect Everyone**'.

**The Group Sustainability Framework, which is founded on Maqasid Shariah, underscores our corporate core value of 'We Protect Everyone'**

The Group's goal to contribute towards a more sustainable future is not limited to our value creation endeavours, but also extends to our work within the community and our environmental efforts. As a responsible corporate citizen, we aim to reduce the environmental impact of our operations, from the energy and resources we consume to the waste we generate. We intend to achieve these objectives through

Invested
**RM18.6 million** in the MNRB Scholarship Fund initiative since its inception in 1998

The Group continues to leverage the
**IKHLAS Barakah House**
platform to deliver positive and sustainable impacts through significant initiatives in the areas of health, education, community enrichment, economic empowerment and the environment

our implementation of energy-efficient practices in our office buildings and the close monitoring of our consumption.

The Group continues to roll out various initiatives under our sustainability themes of Enriching our Community and Embracing a Sustainable Future, one of which is the MNRB Scholarship Fund. This initiative serves to contribute to the growth of the Malaysian insurance and takaful industries by providing promising students access to quality education, thereby fostering the development of insurance and takaful professionals of the highest calibre. Areas of study include actuarial science, insurance and risk management, accounting/ACCA, Shariah, and information technology. Since the MNRB Scholarship Fund's inception in 1998, we have invested RM18.6 million in this initiative.

All of MNRB's businesses are committed to the provision of exceptional customer experiences as this is critical to our long-term, sustainable development. We make a significant effort to remain responsive and accountable via customer touchpoints that meet our customers' specific needs as well as by adding value to the products and services that we offer. We are focused on making continuous improvements on a holistic level to ensure excellent customer experiences all around.

Take our Family Takaful and General Takaful businesses that offer products and services under the Takaful IKHLAS brand. As part of their efforts to deliver exceptional customer experiences to their customers, these businesses are leveraging a CRM suite which serves as an omni-channel platform for customer engagement at key touchpoints. These businesses continue to engage with customers and the general public, primarily through frequent updates on their enhanced website and social media platforms.

Participants can access the Online Customer Account services platform to view their certificates at their convenience as well as tap the I.V.A. Chatbot and the GO Serve self-service claims portal. By meticulously mapping the Takaful IKHLAS customer journey, we are ensuring that our customers are able to interact seamlessly and efficiently via diverse self-service platforms. The addition of a Net Promoter Score ("NPS") key performance indicator is also expected to help us better analyse and manage Takaful IKHLAS-related customer expectations.

By way of VBI initiatives, the Group continues to leverage the IKHLAS Barakah House platform to deliver positive and sustainable impacts through significant initiatives in the areas of health, education, community enrichment, economic empowerment and the environment.

By integrating sustainability into our overall business strategy, we intend to create long-term value for our shareholders, contribute to the well-being of our employees, as well as promote social and environmental stewardship in the communities that we operate in.

*For further information regarding our sustainability efforts, please turn to our Sustainability Statement within this Annual Report.*





## GOOD GOVERNANCE PRACTICES

The Board acknowledges that good governance translates into good business and is deeply committed to ensuring that the Group and its people operate in a responsible, ethical and transparent manner. To this end, the highest corporate governance practices and internal controls are embedded throughout the length and breadth of our organisation, while we align with the latest regulatory guidelines and recommendations such as the Malaysian Code on Corporate Governance ("MCCG") 2021.

We have established and implemented policies that serve as guardrails to keep our business operations on track and to assist all parties associated with the MNRB to better understand their responsibilities in upholding the Group's mandate and reputation. To date, policies and procedures such as the Group Anti-Bribery and Corruption Policy, Group Code of Ethics, Group Whistleblowing Policy, and Anti-Money Laundering and Counter Financing of Terrorism ("AMLCFT") Policy, among others are firmly in place.

*For further information regarding our corporate governance practices, please turn to our Corporate Governance Overview Statement.*

## MOVING FORWARD

Following Malaysia's transition to the endemic stage, the general insurance and takaful sectors in Malaysia have been expanding on the back of the increase in vehicle sales, the resurgence of construction activities, and recovery of commercial and tourism activities across the country. Moving forward into FY2024, this trend is expected to continue while the overall insurance industry is expected to grow steadily despite operating in a challenging economic environment.

The COVID-19 pandemic undoubtedly played a part in instigating increased apprehension regarding health and mortality hazards, leading to the growing recognition of how underinsured the population is. This offers a significant potential for the life insurance and family takaful sectors to broaden and fortify their range of protection products, thereby strengthening their portfolios. In addition, the increased frequency of floods within the nation has triggered rising consumer awareness of the risks of property and asset damage from natural disasters. This too is set to stimulate demand for flood insurance and takaful coverage.

Despite these developments, inflation continues to be the primary consideration for insurance players. Insurers and takaful operators should proactively ensure they are prepared to effectively manage the impact of inflation on their operations and claims costs. By remaining diligent and proactive in risk management, insurers and takaful operator can ensure they are well-positioned to seize future opportunities and overcome potential challenges that may arise.

In our bid to remain forward-looking, MNRB recognises the need to remain agile and adaptive to evolving customer needs and technological advancements. Today, as younger and digitally-savvy consumers become increasingly aware of the benefits of insurance, this is driving demand for protection products. At the same time, the digital transformation of the insurance industry continues to gain momentum, with industry players leveraging technological solutions effectively to enhance operational efficiencies, elevate the customer experience, and drive innovation.

With this in mind, MNRB remains committed to leveraging technology and investing in digital solutions to streamline our processes, enhance our underwriting capabilities, and deliver personalised products and services that cater to the diverse needs of our customers.

As the Group ventures forth, our reinsurance and retakaful arm is expected to expand in spite of marketplace challenges in the form of significant price increases and tighter terms and conditions. To remain profitable, this business segment will continue to focus on improving its bottom line through better risk selection rather than focus on top line growth. It will also make the shift towards more agile and optimised capital usage to offset the effects of market challenges.

To enhance its revenue, our reinsurance and retakaful arm plans to expand and diversify its overseas portfolio into high-potential markets and increase its participation in areas such as Overseas and Specialty Treaties and Managing General Agents. It will also pursue opportunities in both the Family and General Retakaful businesses.

Meanwhile, Takaful IKHLAS continues to grow from strength to strength. Originally established in 2003 to supplement the reinsurance business of MNRB, it has grown to be a significant contributor to the Group's profits in its own right. In the first sixteen (16) years of its existence, the takaful business only delivered RM25.0 million of dividends to MNRB as profits were re-invested for its growth. However, in the last four financial years alone, dividends issued to MNRB by the takaful businesses totalled RM104.0 million as we reaped the benefits from the rapid growth in gross contributions and profits.

We expect Takaful IKHLAS to continue strengthen its good performance through its initiatives in transforming and elevating the customer experience, developing better and more relevant products, as well as increasing investments in digitalisation. At the same time, it will prioritise franchise, corporate and bancatakaful partnerships to expand its revenue streams.

Against this backdrop, the Board remains cautiously optimistic of MNRB's prospects moving forward. We hope to deliver another resilient performance in FY2024.

## ACKNOWLEDGEMENTS

Many parties have played a part in the MNRB Group's success to date and we wish to acknowledge them for their kind support.

On behalf of the Board of Directors, I would like to express our heartfelt gratitude to our esteemed shareholders for your continued support and faith in MNRB despite the challenges of our industry. Our sincere thanks go to our valued customers, business partners, cedants and intermediaries. It is with your trust and collaboration that we have achieved the milestones that we celebrate today and we look forward to strengthening our ties with you. Our deep appreciation also goes to the various regulators and industry associations who have so kindly guided and supported us. We look forward to our continued close collaboration.

To our Management Team and employees, we are truly grateful for your diligence, dedication and the spirit of excellence which you continue to display – all of these helped pave the way for a year of solid results. Last but not least, I would like to extend my deepest gratitude to my colleagues on the Board whose strategic insights and collective wisdom helped guide the Group through challenging times to a fruitful year.

Moving forward, we are excited about the prospects that lie ahead and the opportunities to enhance our market position, strengthen our relationships, and contribute to the sustainable growth of the Malaysia reinsurance and takaful arenas.

The Board remains fully committed to steering MNRB towards continued success, profitability and sustainable development. I call upon all our stakeholders to lend us their unwavering support as MNRB steps forward to embrace the future with confidence, agility, and an unwavering commitment to excellence.

On behalf of the Board,
**Datuk Johar Che Mat**
Chairman
22 June 2023



# ECONOMIC AND INDUSTRY REVIEW AND PROSPECTS

## THE ECONOMY

### 2022 in Review

In 2022, the global economy experienced a deceleration of growth to 3.4 percent (2021: 6.2 percent), primarily due to several factors such as the COVID-19 pandemic, China's zero-COVID policy, Russia-Ukraine geopolitical conflict, rising inflation, and tighter monetary policies. Despite the resurgence of COVID-19 cases caused by the highly transmissible Omicron variant, many countries were able to lift containment measures and reopen their borders by the first half of 2022 due to improved vaccination levels and effective management strategies. This facilitated global trade activity amid pent-up demand, leading to a significant recovery in labour markets, services activity, and tourism industry, particularly in places where the COVID-19 outbreak has transitioned to the endemic phase.

Inflation reached historic highs due to stronger demand, labour shortages, and elevated commodity prices, particularly in the US and Europe. Gas and energy prices were also high in these regions due to the Russia-Ukraine geopolitical conflict. However, inflation in Asia remained relatively lower due to price controls, energy subsidies, and lower inflation on staple food items such as rice. Global inflation peaked in the third quarter of 2023 and remained elevated even with easing supply-side pressures in the latter half of the year.

Despite the external volatility, the Malaysian economy grew at a remarkable 8.7 percent in 2022 (2021: 3.1 percent). The full reopening of the economy and continuing policy support resulted in broad-based improvement in domestic GDP, while exports remained resilient. Malaysia, as a net commodity exporter, benefited from increasing demand and higher commodity export prices, resulting in positive income effects on certain households and enterprises. Economic growth slowed towards the end of the year due to softening global demand.

Private sector expenditure, on the other hand, has continued to drive the recovery, with strengthening labour market conditions and increasing wages. Household spending was also supported by pent-up demand and government policy support, such as subsidies on selected consumer items and seasonal price controls, providing some shelter against sharp price increases.

Overall, 2022 was a year of challenges for the global economy, but policymakers responded effectively, and the economy showed resilience in the face of adversity. The Malaysian economy saw significant growth and recovery in 2022, and the government's policy support measures were effective in mitigating the adverse effects of the external environment.

### Prospects

Global inflation is likely to remain elevated in 2023 due to tight supply in commodities, notably in the energy sector, and wage pressures in advanced economies. It is, however, predicted to moderate from its high in 2022, indicating a positive trend. The pace at which major central banks, particularly the US Federal Reserve, adjust their monetary policy will depend on the evolving assessment of the inflation outlook. This, in turn, will continue to influence the global financial market conditions. While the uncertain environment is likely to persist, market volatility is expected to remain manageable.

The Malaysian economy is projected to experience a moderation in growth in 2023 primarily due to slowing global economic growth, which is expected to weigh on Malaysia's exports. However, there are positive developments to support growth, including robust domestic demand, continuing improvement in employment rate and income levels, continued implementation of multiyear investment projects, and increased tourism activity. Private spending is likely to rise, underpinned by ongoing improvement in employment and income. Private investment is also expected to grow, supported by the implementation of multi-year projects across all economic sectors.

Furthermore, the recovery of international travel, particularly the resumption of China's outbound tourism beginning in January 2023, is expected to promote growth in high-touch services sub-sectors. While the risks to Malaysia's growth estimate are balanced, with downside risks principally emanating from external factors of weaker-than-expected global growth, the overall outlook remains optimistic.

## THE INSURANCE INDUSTRY

### 2022 in Review

The global insurance industry is expected to experience a slight 0.2 percent decline in premium growth in 2022 (2021: 3.4 percent), primarily driven by a 1.9 percent decline in the global life insurance sector. This is due to the current inflationary pressures and declining purchasing power, which have led to a crisis in the cost of living for consumers, particularly in advanced economies. However, the global general insurance sector is expected to rise by 0.9 percent in 2022, driven by the resilient growth of emerging economies and significant expansion of lines of business such as health, general liability, and agriculture.

In Malaysia, the general insurance and takaful sector experienced a robust growth of 11.7 percent to reach RM24.5 billion, driven by the complete reopening of the economy. The general insurance premium grew by 9.7 percent to RM19.9 billion, while general takaful contribution surged by 21.1 percent to RM4.6 billion. The motor and fire segments were the primary contributors to this growth, with motor retaining the top position and accounting for 50.8 percent of the overall premium and contribution share.

Although the life insurance segment saw a decline in new business total premium of 6.4 percent in 2022, registering a total of RM12 billion compared to RM12.8 billion in 2021, the family takaful segment recorded a robust growth of 18.3 percent, with traditional takaful certificates contributing significantly to this growth. The decline in the life insurance segment in 2022 was primarily attributable to declines in investment-linked and traditional policies of 18.9 percent and 3.2 percent, respectively. Despite this decline, the insurance and takaful sectors in Malaysia is expected to grow in the coming years.

### Prospects

The global insurance industry is poised for growth, with premium predicted to rise by 2.1 percent between 2023 and 2024, signalling the strengthening of the industry. The continuation of commercial rate hardening and stronger premium growth, particularly in emerging economies, are expected to underpin the global general insurance growth over the next two years. Meanwhile, the global life insurance premiums growth is anticipated to return to 1.7 percent in 2023 and 2024.

In emerging markets, the growing middle-class population and rising targets for life insurance penetration are anticipated to contribute to the growth of life insurance savings. Moreover, younger, and digitally literate consumers who are becoming increasingly aware of the benefits of term-life insurance are likely to drive demand for protection products.

The Malaysian insurance industry is expected to maintain a steady growth despite operating in a challenging environment. The COVID-19 pandemic has heightened concerns about health and mortality risks, leading to a growing perception of underinsurance. This presents a substantial opportunity for the life insurance and family takaful sector to diversify their health and wealth protection product portfolio.

As for the general insurance and takaful sector, it is anticipated that the reopening of economic sectors will contribute to its expansion. This expansion is anticipated to be driven by the increase in vehicle sales and development of construction activities across the country. Furthermore, rising consumer awareness of the risks of property and asset damage from floods is projected to stimulate demand for insurance and takaful coverage.

Notwithstanding, it is essential to note that inflation remains a concern to the insurance industry. Insurers and takaful operators must be prepared to manage the impact on operations and claims costs. By remaining diligent and proactive in risk management, insurers and takaful operators can ensure that they are well positioned to capitalise on future growth opportunities and navigate any potential challenges that may occur.





# MANAGEMENT DISCUSSION & ANALYSIS

**Dear Valued Shareholders,**

I am pleased to report that the MNRB Group continued to build upon the growth momentum achieved in the prior year to deliver a commendable performance for the financial year ending 31 March 2023 ("FY2023"). The Group's respective businesses executed their strategic objectives and made strong strides forward on several fronts. Amidst an economy on the pathway to recovery, we also focused our efforts on further building up our capabilities and readiness within our organisation while championing the agenda of sustainability among insurance industry players. All in all, FY2023 proved to be a fruitful year for MNRB.

**ZAHARUDIN DAUD**
President & Group Chief Executive Officer

## OUR BUSINESSES AND STRATEGIC PRIORITIES

### Our Businesses

The MNRB Group serves the insurance industry through three entities, namely its sole reinsurance entity and its two takaful entities. These entities comprise Malaysian Reinsurance Berhad ("Malaysian Re"), the national reinsurer; and the Takaful IKHLAS franchise which is made up of the family takaful business, namely Takaful Ikhlas Family Berhad ("Takaful IKHLAS Family"), and the general takaful business, namely Takaful Ikhlas General Berhad ("Takaful IKHLAS General").

Due to the differing nature of the reinsurance and takaful businesses, each company devises its own customised strategies and approaches to achieve the Group's collective goals. This allows each of these businesses to grow in a meaningful and orderly manner that befits the nature of the respective business and the opportunities presented to that business.

### Group-level Strategic Priorities

At the Group level, we continue to implement the subsequent phases of the Group Office Transformation ("GOT") initiative, strengthen the Customer Experience Management ("CXM") function, and elevate ongoing digitalisation efforts.

The GOT initiative which centres on the modernisation of our workspaces serves to create a working environment that is not only comfortable but also aims to foster innovation and dynamic work-life practices among our employees. Meanwhile, all the Group's businesses remain deeply committed to bolstering the customer experience by comprehending various customer journeys through their customers' eyes so as to facilitate seamless and efficient engagement with them. On top of this, we continue to build upon our digitalisation efforts to open up new opportunities for business outreach as well as to tighten up operations, and optimise costs. The finer details of these initiatives can be found in the relevant sub-sections within this Management Discussion & Analysis.

At the Group level, we have also set our sights on upholding and implementing the following to strengthen the good momentum we have achieved to date:

#### EFFICIENCY

We are focussed on prudently deploying our capital and driving operational efficiency throughout each business. This will ensure that our businesses are capital-generating and will deliver solid returns to our capital providers over the long term.

#### INNOVATION

We are leveraging technology to reach our customers quickly and efficiently as well as make our processes faster and more efficient. To this end, we remain open to experimentation and are on the lookout for continuous improvement opportunities.

#### CUSTOMERS

We are continually exploring ways to provide a great customer experience by way of participation, claims, services, etc. Simultaneously, we are constantly monitoring how our customers view us and are always working to obtain feedback on their experiences with us.

#### SUSTAINABILITY

We are deeply committed to operating as a sustainable business, incorporating robust Environmental, Social, and Governance ("ESG") practices into our day-to-day activities. Moving forward, we will continue to focus on mitigating climate change risks, enriching communities, and upholding good governance.

#### PEOPLE AND CULTURE

We are continually ensuring that the Group has the right people with the right skills and ambitious attitude; that the right values are inculcated among our people; and that the right behaviours are practiced and modelled throughout the Group and those who partner with us.



MANAGEMENT DISCUSSION & ANALYSIS

### Subsidiary-level Strategies

At the subsidiary level, Malaysian Re as the main revenue contributor to the Group, continues to roll out the strategic objectives under its Business Remodelling exercise. Aimed at accelerating the company's growth and further embedding sustainability within its value creation processes, this exercise aims to ensure the following: diversification of the business portfolio contributing to the company's premium and profitability; accelerated growth of non-traditional segments such as Managing General Agents ("MGA") specialised lines, and family retakaful; and active capital management to sustain business growth.

The Business Remodelling exercise also aims to bring into play inorganic growth strategies and comprehensive human capital capacity-building activities (which will involve internal talent development and upskilling as well as recruitment of specialist talent).

In line with this, Malaysian Re has established several strategic thrusts which will serve to increase the efficiency and effectiveness of its operations for the long term. The company's strategic initiatives comprise remodelling the company's underwriting strategy to have a defined focus; optimising the utilisation of capital; and streamlining expenditure via improving workflows and implementing cost containment exercises. The company is also investing in human capital to upscale its internal talent and knowledge repository.

On 13 September 2022, Malaysian Re established a Senior and/or Subordinated Medium Term Notes ("MTN") Programme with a combined programme size of RM800.0 million. The proceeds from the issuance will be used to strengthen Malaysian Re's capital in view of the substantial growth of its gross premium during the year and the overall Business Remodelling plan over the next few years.

Meanwhile, the Group's takaful businesses remain resolute in their goal to expand their market reach. To strengthen their respective market positions, both Takaful IKHLAS Family and Takaful IKHLAS General are undertaking a holistic overhaul of several operational areas as well as embedding ESG competencies within their processes. These measures will go a long way in helping these companies streamline their processes while increasing their effectiveness.

Our family takaful business aims to expand takaful penetration and market share by strengthening and growing the agency and banca businesses, focusing on profitable corporate business segments, and delivering excellent customer experiences via automation or digitalisation. It will focus its efforts on optimising its investment performance, cost and capital efficiencies; explore how best to transform and rationalise its product margins and mix; cultivate a high-performance team and culture; and uphold stringent governance measures.

At the same time, the general takaful business will bring into play several measures to drive its growth momentum. It will focus on sustainable business growth and profits, plus a balanced portfolio for the long term. It will leverage operational efficiencies, pricing and claims agility, product and service innovation, as well as data-driven operations as part of the organisation's commitment to upholding agility and innovation. People and culture, as well as ESG will feature prominently on its strategic agenda.

To measure customer experience and loyalty at specific touchpoints, our takaful businesses have added a key performance indicator based on the Net Promoter Score ("NPS"). The NPS is a measure of our customers' willingness to recommend Takaful IKHLAS' products and services to others. As of March 2022, quarterly NPS measurements were undertaken at critical customer touchpoints namely, branches and claims. Since then, the NPS boundary has been expanded and it now encompasses additional touchpoints including the Salam IKHLAS email channel, the Go Direct online transaction portal, and the IKHLASCare contact centre email channel. By expanding their NPS coverage, our respective takaful businesses can better measure and manage the customer experience and loyalty elements.

Last but not least, both takaful businesses will elevate their branding and visibility by leveraging ongoing thematic and active marketing campaigns as well as an IKHLAS brand refresh exercise.

## Intensifying Our Digitalisation Efforts

To strengthen the Group's business and further unlock value, we have been tapping several initiatives under the Group Transformation Programme ("GTP"). Chief among them is the digitalisation of our value-chain. We are confident that digital enablement will create significant value for our businesses and will help us to generate higher revenue, optimise cost and operational efficiencies, as well elevate the user experience – all of which will help build goodwill and strengthen MNRB's brand image.

In FY2023, our digital transformation continued with the expansion of the Digital and Innovation activities and the relevant projects under the GTP.

***Enhancements to the IKHLAS GO ecosystem***

We intensified our efforts to improve the IKHLAS GO ecosystem by making these enhancements to the various facets of the ecosystem:

| | |
|---|---|
| GO partner | Enhancements to mobile apps and web-based functionalities to increase adoption by our General Takaful agents; |
| GO prime | Enhancements to mobile apps and web-based functionalities for e-quotations and e-submissions, as well as integration with the main system for our Family Takaful intermediaries; |
| GO serve | Enhancements to web-based services for customers and agents, such as claim submissions, enquiries and payments; |
| GO direct | Enhancements to the onboarding experience for online takaful participants; |
| GO connect | Integration of the open API platform with new digital partners; and |
| GO financial | Additional product development and deployment with identified bancatakaful partners to facilitate sales onboarding. |

We also deployed five more enhancements to the IKHLAS GO ecosystem in FY2023. These included GO Serve claims submissions, GO Financial integration with new bancatakaful partners, GO Partner functionalities for General Takaful agents, as well as GO Financial, and GO Direct Motor and P.A. product deployment.





***Leveraging Operational Automation***

We continue our work on various Robotic Process Automation ("RPA") initiatives to enhance the operational efficiencies of our back-office processes, including claims management, operations and finance, as well as to facilitate fraud mitigation and product innovation. The RPA initiatives are strengthening productivity while keeping costs competitive. As more processes are simplified and automated, employee workloads are indirectly reduced, thus freeing our people up to focus on more value-added activities.

Automation is also enabling us to meet customer demand more quickly, resulting in better customer experiences, while simultaneously reducing expenses and enhancing our bottom line. Approximately RM2.0 million in savings was attributed to automation activities in FY2023.

Moving forward, we are currently developing and looking to launch a new customer relationship management suite and customer portal for Takaful IKHLAS. The ongoing development of our enterprise data warehouse project will also ensure that the Group will have secure and reliable access to customer data.

***Enriching the Customer Experience***

Customer service remains at the forefront of our market reach strategies. To this end, we are bolstering our customer centricity with measured initiatives to ensure continuous service excellence while also streamlining our customer experience processes throughout our entities. The efforts to enrich the customer experience was further strengthened by the formation of a Customer Experience Management or CXM function within the Group. This function will focus on customer experience excellence and provide an IKHLAS omni-brand experience at common customer touchpoints. This will help us to achieve our goal of continuously engaging with our customers and stakeholders to better understand their expectations and to improve our customer experience.

**We are bolstering our customer centricity with measured initiatives to ensure continuous service excellence while also streamlining our customer experience processes throughout our entities**

***Extending our Virtual Branch Network***

During the year, Takaful IKHLAS General carried on with the expansion of its digital presence by establishing Virtual IKHLAS Points (also known as 'VIP branches') as part of its Branch Transformation project. The extension of non-physical branches is expected to enhance our outreach to agents as well as provide our customers with more flexible, accessible and personalised experiences when using our services. To date, ten (10) VIP branches have been established nationwide with another five set to be opened in FY2024.

Concurrently, we will continue on our journey to deliver positive impacts to communities and the environment by embracing new technologies such as cloud computing, machine learning and artificial intelligence for both front-end applications and back-end processes.

***Maintaining Hybrid Working Arrangements***

While the reopening of economic sectors heralded the return of employees to offices, MNRB has opted to maintain a hybrid working environment. This arrangement allows our employees to work remotely or on-site, reducing the need for daily commutes. Moreover, this practice underscores our support of environmentally friendly practices and our proactive efforts to reduce our carbon footprint. During FY2023, approximately 80% of our employees utilised this arrangement. Today, all our employees are benefiting from the flexible working hours arrangement.

Today, our people groupwide are leveraging digitally-enabled facilities in an increasing manner thereby reducing the need for physical meetings. By reducing business travel for meetings, conferences or long-distance travel to the offices of our international counterparts, we are reaping significant costs savings.

MANAGEMENT DISCUSSION & ANALYSIS

With digital technologies facilitating efficient remote and hybrid working capabilities, this is reducing the need for physical space even despite the Group enlarging its workforce to meet rising production demand.

By providing our employees with flexible work options, we are helping them to find a better balance between work and life, which leads to increased job satisfaction, productivity, and well-being. This effort is in line with our belief that by promoting sustainable work practices, we can contribute to a more sustainable future for our communities and our planet.

***Improving Management Expenses***

In line with our aim to improve cost efficiency processes and increase savings, we have rolled out various Management Expenses Improvement measures. One primary initiative focuses on having the right mix of capabilities and headcount of our people. We continue to evaluate the ideal composition of front office, middle office and back office functions so that we can serve our customers in the most efficient manner.

In terms of our information technology, we continue to consolidate and modernise the Group's IT infrastructure so that we may enjoy synergies from economies of scale, while supporting the digitalisation and automation efforts previously mentioned.

## GROUP FINANCIAL PERFORMANCE

In FY2023, the MNRB Group turned in a commendable financial performance. We recorded a 13.5% increase in gross premiums and gross contributions to RM3.4 billion in comparison to RM3.0 billion previously. This increase came on the back of business growth in nearly all our segments, particularly Malaysian Re's local and overseas portfolios.

The Group also registered revenue of RM3.7 billion, a 14% increase against the RM3.3 billion reported in the previous financial year. The RM0.4 billion increase was generally contributed by higher gross premiums and gross contributions generated by our reinsurance and takaful subsidiaries.

The Group went on to record a profit after tax ("PAT") amounting to RM119.5 million in FY2023 in comparison to PAT of RM114.4 million recorded on the preceding year. The RM5.1 million increase in PAT was mainly due to improved underwriting performance on top of higher investment income and favourable fair value movement of investments. However, this was offset by the adverse impact from the share of results of associates.

Back in FY2022, the Group began preparing for the implementation of the new Malaysian Financial Reporting Standard 17 *Insurance Contracts* ("MFRS 17") which replaces MFRS 4 *Insurance Contracts* effective 1 April 2023. The new standard aims to provide a comparable and consistent accounting model by introducing a more market-value-consistent regime for insurance/takaful contracts that is applicable across the insurance/takaful industry. The introduction of MFRS 17 will not make a difference to our profitability but rather change how we measure, present and disclose our reinsurance/retakaful and takaful businesses.

## PERFORMANCE BY BUSINESS SEGMENT

### Reinsurance/Retakaful Business

In FY2023, Malaysian Re's gross premiums and gross contributions grew by 11.6% to touch RM1.9 billion in comparison to the RM1.7 billion recorded previously. The increase was mainly driven by the growth on the international and domestic business fronts. Gross premiums for the international business segment increased mainly on the back of an increase in treaty and specialty businesses, while the growth in the domestic segment was mainly due to an increase on the VC and retakaful fronts.

FY2023 revenue for the reinsurance business increased by 12.8% to RM2.0 billion as compared to RM1.8 billion in the previous financial year. The increase was mainly driven by the increase in the general reinsurance business both from overseas and local portfolios by RM51.5 million and RM150.1 million respectively.

**11.6%** growth in its gross premiums and gross contributions to **RM1.9 billion**

**12.8%** increase in revenue to **RM2.0 billion**

The reinsurance business recorded PAT of RM56.2 million as compared to RM50.3 million previously. The reinsurance subsidiary generated an increase in profit of 53.6% to RM72.9 million attributed by higher gross premiums and net investment income. This was however offset by the share of net losses from the associate as a result of increase in net claims incurred and foreign exchange losses.

I am delighted to report that Malaysian Re was voted the winner of the ASEAN Reinsurer of the Year Award 2022 at the annual Insurance Asia News ("IAN") Awards for Excellence event. Malaysian Re's efforts to enhance the competitiveness of local insurance companies, expand its business lines and automate its processes saw it bag this coveted title from IAN, thus attesting to its position as Malaysia's national reinsurer, and the largest national reinsurer by asset size in Southeast Asia.

In addition to its focus on geographical expansion to extend its footprint, Malaysian Re has also moved away from the core treaties business by growing its facultative offerings and moving into general and family retakaful, Managing General Agents or MGA, and specialty lines.

Alongside expanding its areas of business, Malaysian Re continues to pursue a Business Remodelling strategy, introducing a number of RPA initiatives to improve the efficiency of its internal processes. RPA initiatives include automating interface data by portfolios, automating exchange rates for international claims reserves, and automating claims market updates for facultative business, with a target of reducing claims turnaround times from eight days to five days.

In December 2022, Fitch Ratings reaffirmed Malaysian Re's insurer financial strength rating of 'A' (Strong) with a Stable Outlook for the fifth year in a row. The affirmation reflects Malaysian Re's 'Very Strong' capital buffer and sustained financial performance.

In January 2023, the financial strength of Malaysian Re was reaffirmed by international rating agency A.M. Best with a financial strength rating of 'A-' (Excellent) and a Long-Term Issuer Credit Rating of "a-" (Excellent). A.M. Best also confirmed the outlook for both ratings as Stable. The ratings reflect Malaysian Re's balance sheet strength, which A.M. Best assesses as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

In addition, in February 2023, RAM Ratings Services reaffirmed Malaysian Re's Insurer Financial Strength Ratings with a Stable Outlook. This reflects the company's very strong capacity to meet its financial obligations.

Moving forward, Malaysian Re has sets its sights on its next milestone of exceeding RM2.0 billion in gross written premiums, a target which it aims to achieve in 2024.

In FY2023, our retakaful business, Malaysian Re Retakaful Division ("MRRD"), registered gross contributions amounting to RM91.8 million, a 26.3% increase from the RM72.7 million recorded in FY2022. This was mainly due to higher reinstatement contributions. MRRD also posted a net profit of RM8.4 million in FY2023.

As Malaysian Re ventures forth, it is expected to continue with its Business Remodelling exercise and efforts to rebalance treaty and non-treaty portfolios. It will also pursue growth opportunities in non-conventional segments specifically on the overseas and specialty treaty as well as MGA portfolio fronts while exploring opportunities related to the Group's family and general retakaful businesses.

## Family Takaful Business

**7.1%** increase in gross contributions to **RM764.1 million**

**7.6%** increase in revenue to **RM922.3 million**

In FY2023, Takaful IKHLAS Family posted a gross contribution of RM764.1 million, 7.1% or RM50.3 million higher than the RM713.8 million posted in FY2022 mainly due to an increase in the segment's bancatakaful business. The family takaful business also recorded higher gross wakalah fee income of RM230.8 million as compared to RM217.8 million in the preceding year. The 6.0% or RM13.0 million increase was attributable to the higher gross contribution.

For the financial year in review, the company's revenue increased by 7.6% or RM65.5 million to RM922.3 million from RM856.8 million previously. The growth was derived from the group credit term takaful business consequent to the strategic bancatakaful partnership. However, growth was mitigated by the decrease in individual and group term products.

Despite the higher revenue, the family takaful business recorded a lower net profit of RM20.6 million in comparison to the RM30.6 million reported in the preceding year. Similarly, the company's PAT of RM20.8 million was lower by 32.4% or RM10.0 million, against FY2022's PAT of RM30.8 million. This was mainly due to the benefits from the first-time recognition of deferred tax assets relating to an expense liability in the previous financial year.

Lower profits notwithstanding, the family takaful business continued to make good progress in its strategy to expand its market reach via the enhancement of its products and services. Several new enhancements to the IKHLAS GO ecosystem were introduced in FY2023, while we also went on to launch our e-Claims Submission (Pre- and Post-Admission) via our mobile apps to enable customers to submit their claims documentation, check their status, as well as track their GL issuance and utilisation limit.

To expedite claims and benefits procedures as well as to enhance customer satisfaction and mitigate errors, the company deployed the RPA-enabled Hospital Income Benefits and Immediate Death Expenses claims processes. Since the implementation of RPA-enabled tools like these, the process turn-around time has improved from ten (10) working days to 48 hours.

Takaful IKHLAS Family then went on to officially launch the IKHLAS Ilhamku education savings plan in conjunction with 'Minggu Saham Amanah Malaysia' 2022 in November 2022.

This was followed by the launch of a five-year bancatakaful partnership between our family and general takaful entities and MBSB Bank in December 2022. Under this strategic partnership, Takaful IKHLAS and MBSB Bank will work collaboratively to provide progressive and comprehensive Islamic Finance solutions exclusively to Malaysians by tapping MBSB Bank's extensive network of branches.

Moving forward, the Family Takaful business will pursue its growth trajectory with improvements expected in takaful penetration rates. The business will continue to leverage digitalisation and technology while simultaneously bolstering its relationships with its agency force and introducing relevant products and promotions to achieve its growth ambitions.





## General Takaful Business

**37%** increase in gross contributions to **RM706.93 million**

**36.4%** revenue increased to **RM737.2 million**

In FY2023, Takaful IKHLAS General recorded a 37% or RM190.8 million increase in gross contributions totalling RM706.93 million against RM516.1 million in the preceding year. The individual gross contributions from the segment's respective businesses were as follows: the agency business' gross contribution grew by 32.4% or RM106.7 million; the bancatakaful business' gross contribution rose by 56.0% or RM64.3 million; the direct business' gross contribution increased by 73.9% or RM17.6 million; while the corporate business' gross contribution grew by 4.5% or RM 2.2 million.

Consequently, the segment's wakalah fee income for FY2023 was RM265.3 million, some 41.8% or RM78.2 million higher than the RM187.1 million recorded in FY2022.

Revenue increased by 36.4% or RM196.6 million to RM737.2 million from RM540.6 million previously. This significant increase in revenue was a result of the company's concerted efforts to grow across all classes and channels of business.

The general takaful business also recorded a net profit of RM40.1 million in FY2023, a 22% increase as compared to a net profit of RM32.9 million reported in the previous financial year. This was mainly due to higher wakalah fee income as a result of the significant growth in revenue.

In September 2022, Takaful IKHLAS General and Bank Simpanan Nasional ("BSN") entered into a five-year bancatakaful partnership to drive Islamic Finance solutions to communities via BSN's large customer base and distribution channels, which include 390 branches nationwide. This collaboration serves to expand Malaysia's Islamic Finance sector and the takaful industry.

In December 2022, our general business entered into a five-year bancatakaful partnership with MBSB Bank to offer general takaful products via the bank's respective touchpoints.

During the year, Takaful IKHLAS customers were able to have their flood claims payments expedited within three days by the appointed claim adjusters through the Virtual Interactive Process or VIP. The VIP for flood claims enables speedier virtual assessment of claims for House Owner/Householder and Home Protect Takaful certificates. Within 24 hours of notification, an adjuster will be assigned and a claims assessment would be made, with immediate approval granted for claims up to RM10,000.

In line with its aspiration to be among the Top 10 companies in the insurance industry, Takaful IKHLAS General will continue to leverage digitalisation to enhance customer experience and loyalty. Platforms and tools such as the IKHLAS GO ecosystem, data analytics and improved engagements via online channels and other touchpoints are aimed at propelling customer engagements and accessibility. As the general takaful business improves its web functionality, it expects to expand its customer reach and facilitate a more seamless and efficient customer experience journey.

Following approval by Bank Negara Malaysia, Takaful IKHLAS General will make the transition to Phase 2A of Liberalisation, which will allow us to undertake improved risk-based pricing and selective portfolio management.

### BUSINESS RISKS AND MITIGATION STRATEGIES

As we grow our reach and expand our product and service offering to meet our customers' evolving needs, we recognise how imperative it is to have successful risk management processes in place. To this end, we have established a risk framework that continuously helps the Group and its subsidiaries to identify, evaluate and mitigate all potential risks to our businesses. In accordance with Bursa Malaysia's disclosure requirements, the MNRB Group's key risks and mitigation strategies are disclosed in the Financial Statements on pages 246 to 306 of this Annual Report.

### MOVING FORWARD

The Malaysian economy registered a strong performance in 2022. However, going forward into calendar year 2023, the forecast is for moderate growth amid a slower global economy given the backdrop of higher risk aversion in global financial markets, further escalation of geopolitical conflicts, and the re-emergence of significant supply chain disruptions.

For FY2024, the Group expects to register healthy premium/contribution growth especially through our banca partnerships supported by higher business volumes through MGAs and overseas treaties.

The takaful businesses continue to strengthen spurred by business and profit growth. They are capturing a wider market share through incremental improvements to the quality of customer service, the development of newer and more relevant products, as well as investment in digitalisation.

The reinsurance/retakaful segment is expected to expand too despite tougher market conditions influenced by significant price rises and tighter terms and conditions.

Moving forward, we will continue to focus on improving the bottom-lines of our businesses through better risk selection rather than setting our sights on top-line growth. In addition, we will be more agile in shifting capacity to optimise capital usage to offset the effects of market challenges. We also anticipate that the volatility surrounding the Group's investment returns will reduce in the coming quarters. The expectation is for moderation in rate hikes in the US and locally now that inflation numbers are improving.

Notwithstanding the uncertainties of the global environment, the Group is optimistic and remains confident that given the solid foundation of our business diversification and our strong execution of strategic initiatives, MNRB should be able to weather the potential adverse implications over the medium to longer term.

### ACKNOWLEDGEMENTS

We extend our heartfelt gratitude to our esteemed shareholders, valued customers, and trusted business partners, as well as the communities in which we operate. Your unwavering support and confidence in MNRB have been instrumental to our success, and we are truly grateful for your continued commitment.

We deeply appreciate the patience, loyalty, and trust you have placed in us. We eagerly anticipate further opportunities to collaborate and strengthen our relationships in the years ahead. Rest assured, we will continue to earn your faith by striving for excellence in all that we do.

To our dedicated colleagues, we express our sincere appreciation for your exemplary diligence, unswerving dedication, and resilience throughout the past year. Your staunch commitment to MNRB has been truly commendable, and we take great pride in your remarkable achievements. Your efforts in overcoming challenges are a testament to your professionalism and untiring support for our company.

We would also like to express our profound gratitude to our esteemed Board of Directors for their invaluable insights and guidance. Your wisdom and support have been a beacon of light, guiding us through the year's challenges. Moving forward, we remain committed to maintaining resilience and achieving long-term growth, while delivering greater value to all our shareholders, partners, and stakeholders.

Once again, thank you for your steadfast support and trust in MNRB. Together, we will forge ahead with determination, embracing the future with confidence and achieving shared success.

**Zaharudin Daud**
President & Group Chief Executive Officer
22 June 2023





# SUSTAINABILITY STATEMENT

## ABOUT THIS STATEMENT

The MNRB Group began its financial year 2023 or FY2023 (1 April 2022 to 31 March 2023) just as the Malaysian Government began the transition to the endemic phase in managing the COVID-19 pandemic. This transition to endemicity meant that the country no longer had to contend with the economic impact of conducting extensive contact tracing and managing the various degrees of lockdown measures in the futile attempt to eradicate the virus. Having undergone two painful years of different COVID-19 containment strategies, the value of health and wellness has become firmly entrenched in the minds of Malaysians as a whole. This has had the effect of increasing receptiveness towards takaful and insurance products and solutions as people and businesses seek out adequate protection and the means to be financially resilient during adverse events.

The MNRB Group is deeply committed to supporting Malaysians to build a healthier, greener, and more resilient economy and society. As we continue our sustainability journey, the Group remains committed to balancing our economic performance with social and environmental considerations. Our goal in our sustainability journey is to deliver long-term value creation while delivering sustainable performance and good stakeholder value.

Despite the increasing frequency of climate-related events, we intend to keep doing our part to assist Malaysians and our stakeholders to meet these challenges. We shall carry on incorporating sound environmental, social, and governance ("ESG") considerations into our business and operations, while continuing to provide takaful and reinsurance solutions and invest in a responsible manner.

The MNRB Group is providing financial protection and risk management solutions to both corporate clients and retail customers through our reinsurance/retakaful and takaful subsidiaries, respectively. Our aim is to assist them in returning to their lives, livelihoods, health, and wealth after experiencing much adversity and catastrophe. We strive to establish an equilibrium in the economy by balancing out our focus on long-term profitability with activities that underscore our commitment to social and environmental responsibility. Whether serving our corporate clients or retail customers, we offer tailored solutions that address their unique circumstances and demonstrate our ongoing dedication to their financial well-being and broader societal impact.

In this Sustainability Statement ("Statement"), we continue to disclose our sustainability initiatives, performance, and accomplishments during the FY2023 reporting period. This Statement covers the operations of MNRB Holdings Berhad and its subsidiaries (collectively referred to as the "MNRB Group" or "the Group" or "we" or "our" or "us"). Our sustainability framework and reporting methodology is governed by the Sustainability Reporting Guide (3rd Edition) and Toolkits issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Comparable data from previous years has been included where applicable.

**MNRB GROUP**

| | | |
|---|---|---|
| **Reinsurance/ Retakaful** | **Malaysian Reinsurance Berhad (“Malaysian Re”)**<br>Malaysian Re is involved in the underwriting of all classes of general reinsurance business as well as general and family retakaful businesses through its Malaysian Reinsurance Retakaful Division (“MRRD”). | **Malaysian Re (Dubai) Ltd. (“MRDL”)**<br>MRDL is engaged in developing business for Malaysian Re in the Middle East. MRDL provides services and underwriting support to its reinsurance and retakaful clients within the region. |
| **Takaful** | **Takaful Ikhlas Family Berhad (“Takaful IKHLAS Family”)**<br>Takaful IKHLAS Family manages the Family Takaful business, which offers an extensive selection of products and services. | **Takaful Ikhlas General Berhad (“Takaful IKHLAS General”)**<br>Takaful IKHLAS General manages the General Takaful business, which includes a vast array of products and services. |

**FY2023 HIGHLIGHTS**

- Waste Management **~240% Increase** in Recycled Waste
- **2.5%** Green Energy Incentive Discount
- Enhancements to **5 IKHLAS GO** Digital Ecosystem Solutions
- **23%** Reduction in Coal Exposure
- Geophysics Exploration and Implementation of **Tube Well and Water Treatment System**
- Development of **Crop Micro-Takaful**
- Addition of **6 Virtual IKHLAS Points** (Virtual Branches)
- **6** Products under Perlindungan Tenang
- **> 49,000** Training hours for professional development
- **> RM2.3 million** Contribution towards CSR programmes
- **~60** Net Promoter Score
- **88% Score** Employee Engagement Index
- Customer Journey **CXM Transformation**
- **Virtual Interactive Process** for Flood Claims Settlement
- Launched **Net Zero Carbon** Commitment
- Established Group **Sustainability Fund**
- Established Group **Code of Ethics**
- Enhanced Group **Procurement Policy**
- Revised **Underwriting Guidelines** for General Takaful
- Enhanced Group **Personal Data Protection Policy**
- Intensified **Sustainability Awareness** and **Capacity Building**



SUSTAINABILITY STATEMENT



During FY2023, there was a 9% increase in the total of in-force participants who contributed to the Family and General Takaful funds compared to the previous year. Of the total participants, 53% were contributors to the General Takaful fund and the balance were contributors to the Family Takaful funds.

Over the same period, our takaful participants collectively assisted their fellow participants who were in need. Takaful IKHLAS facilitated the settlement of the various claims that benefited our affected participants and enabled them to return to their normal lives and livelihoods and recover from the adversities they faced. These included:

- Death & PA Claims: In FY2023, Takaful IKHLAS paid RM156.6 million for death claims, assisting 3,813 families in recovering from the loss of loved ones.
- Motor Claims: During the year, Takaful IKHLAS settled an amount of RM220.2 million to alleviate the hardships of 46,453 participants involved in motor vehicle accidents.
- Fire Claims: During the same period, RM32.4 million was disbursed to 3,391 participants, which helped individuals and business owners to recover from fire and flood losses.

Takaful IKHLAS also distributed a portion of the surplus arising from the positive balance of our Participants’ Risk Funds to eligible participants, based on the provisions of our Surplus Management Policy. Takaful IKHLAS General provided RM6.63 million to 901,612 participants in FY2022.

## CONTINUING OUR SUSTAINABILITY JOURNEY

During the year, we progressed to integrate ESG considerations into our business and operations. At the same time, we concentrated our efforts on enhancing our Group Sustainability Roadmap and developing a more structured approach to implement our sustainability aspirations.

Acknowledging the need to elevate and align our commitment to the global sustainability agenda to create a greater positive impact on the environment and society, we responded to the global call by charting our own journey to becoming a Net Zero Carbon Organisation by 2050. This sees us committing to limiting global temperature increases below 2°C above ‘pre-industrial’ levels with an aspirational 1.5°C limit.

## GROUP SUSTAINABILITY FRAMEWORK

The Group Sustainability Policy was established and updated in FY2020 to include references to relevant guidelines, guidance notes, and best practices, such as the update to the Malaysian Code on Corporate Governance (“MCCG”), which expands Board leadership and oversight of sustainability integration across our business operations.

During FY2023, we strengthened our approach to sustainability and initiated the development of the Group Sustainability Framework (“the Framework”). The Framework which strengthens the current Group Sustainability Policy, will serve as the primary reference for all operating entities in driving sustainability efforts through more structured planning, implementation, measurement, monitoring, and disclosure of the sustainability-related initiatives. The Framework is founded on Maqasid Shariah, which promotes well-being and prevents harm to all by upholding the Five Essentials of Shariah. This is consistent with our corporate core value of ‘We Protect Everyone’.

**Protection of Faith**
Safeguarding the fundamentals of faith, which govern our relationships with God Almighty and with one another.

**Protection of Life**
Responsibility to safeguard, preserve, and value the right to life of all living beings, including society at large, flora, and fauna.


**Protection of Lineage**
Protection of lineage involves the right to develop a proper and safe environment for the protection of our offspring, as well as the ability to raise them in a noble and respectable manner.

**Protection of Mind**
Preserving the human intellect (mentally and spiritually) free of all that is harmful in order to ensure the harmony of all living beings, whereas an unsound mind is the root of afflictions and ailments.

**Protection of Wealth**
Ensuring that the processes of acquiring, accumulating, preserving, purifying, and distributing wealth are legitimate and beneficial to everyone, without oppression and persecution.

*Diagram 1: Five Essentials of Shariah*

## GROUP SUSTAINABILITY COMMITMENT

The Framework outlines the Group Sustainability Commitment ("the Commitment") to become a Net Zero Carbon Organisation by 2050. This reflects nine (9) commitments, three (3) under each of the ESG pillars.

### ENVIRONMENT

**Transition to a Green Economy**

1. Net Zero Carbon Enterprise by 2030
2. Net Zero Carbon Investment Portfolio by 2050
3. Net Zero Carbon Business Portfolio by 2050

We recognise the critical need for action against climate change and the role the MNRB Group can play. As a result, we are committed to supporting the transition to a green economy by:

- Minimising the impact of our own activities and supply chain, with an emphasis on carbon emissions reduction towards Net Zero.
- Encouraging existing underwriting and investment in businesses and operations on the pathway to Net Zero.
- Developing products that complement and enhance the environment over the entire life cycle.

### SOCIAL

**People and Society Well-being**

4. People-centric Workplace
5. Giving Back to Society
6. Responsible Products & Services

The well-being and growth of our employees and the community are important parts of our agenda. Our commitments would drive us to:

- Support the physical and mental health and well-being of our workforce, intermediaries, and community.
- Encourage continuous learning and professional development across all aspects of the business.
- Maintain the culture of giving back to the community.

### GOVERNANCE

**Governance Culture**

7. Effective Sustainability Management
8. TCFD-aligned Disclosure
9. Intensified Awareness and Advocacy

We uphold high standards of corporate governance and transparency while delivering long-term economic value to safeguard the interest of our stakeholders. We commit to:

- Continue to practice sound governance in the operation of our business.
- Communicate our policies and strategies to our internal and external stakeholders in a clear and concise manner.
- Implement appropriate levels of monitoring and disclosure to demonstrate the robustness of our approach.

*Diagram 2: Group Sustainability Commitment*

The Framework will continue to be enhanced, adjusted as necessary, and reviewed periodically to complement the Group's business strategy and associated risks.





## SUSTAINABILITY UNDERPINNING THRUSTS

The MNRB Group has committed to the following underpinning thrusts to guide our sustainability integration throughout the business operations to create positive value and long-term impacts for our stakeholders.

### MNRB GROUP SUSTAINABILITY UNDERPINNING THRUST

**FINANCIAL RESILIENCE**

We are in the business of enabling our customers to be financially resilient so that they are able to withstand events that may have a negative impact on individuals or business income and/or the value of assets or property.

Our sustainability agenda is indispensable for achieving long-term financial stability and prosperity objectives.

**COMMUNITY EMPOWERMENT**

Our priority is to empower our employees through capability development and talent upskilling to improve their professionalism and resilience in managing their roles and responsibilities at work, at home, and in their communities. As part of ensuring the industry's long-term viability, we have extended this to industry talent.

We help elevate and empower communities through relevant product and value-based offerings to individuals and businesses. This helps improve the overall socioeconomic position of communities.

**GOOD SELF-GOVERNANCE**

We embrace good self-governance practices with the ability to effectively exercise all necessary regulatory functions. This does away with the need for intervention by any external authorities.

**BEST CONDUCT**

Our clear goal is to add value to all of our stakeholders. As such, we endeavour to implement best practices based on a set of prescribed guidelines or ethical principles that represent the prudent and effective course of action in any given situation.

Our best conduct practices are guided by the principle of doing the right thing, in the right way, with the right people, resulting in the right and best results.

*Diagram 3: Sustainability Underpinning Thrust*

## SUSTAINABILITY IMPLEMENTATION APPROACH

The MNRB Group continues to approach our sustainability implementation in accordance with the recommendations of the United Nations Sustainable Development Goals ("UN SDGs"); the United Nations Environment Programme Finance Initiative Principles of Sustainable Insurance ("UNEP PSI"); Bank Negara Malaysia or BNM's Value-Based Intermediation Framework ("VBIF"); and the Malaysian Takaful Association or the MTA's Value-Based Intermediation for Takaful Framework ("VBIT").

SUSTAINABILITY STATEMENT



As we implement our sustainability agenda, we continue to adopt the UN SDGs as a guide for our sustainability approach. We continue to integrate sustainability into our business and operations, guided by the UNEP PSI, so that all activities in the takaful and reinsurance/retakaful value chain, including interactions with stakeholders, are conducted in a responsible and proactive manner by identifying, assessing, managing, and monitoring the risks and opportunities associated with ESG issues. This aims to reduce risk, develop innovative solutions, improve business performance, and contribute to the long-term ESG-centric sustainability of the organisation.

VBI is an intermediation function that aims to achieve the intended outcomes of Shariah through the preservation of wealth, faith, lives, posterity, and intellect. VBIT seeks to achieve the intended objectives of Shariah (the Maqasid Shariah), within the ideals of economy, community, and environment. These goals are to be met through practices, conduct, and offerings that have a positive and long-term impact on the economy, community, and environment, while also aligning with shareholders' long-term interests and sustainable returns.

We demonstrate our commitment to delivering sustainability propositions in our corporate and business activities through the Corporate Value Intent ("CVI"). The CVI incorporates sustainability-underpinning thrusts into our business operations, conducts, and offerings. This serves as the foundation for the formulation of all business strategies, operational models, and corresponding management policies.

## GROUP SUSTAINABILITY ROADMAP

The Group Sustainability Roadmap depicts the ongoing implementation of our sustainability action plan. During FY2023, we focused our efforts on the following initiatives:

### Establishment of the Group Sustainability Commitment

The Group Sustainability Commitment was established and approved by the Board of Directors ("the Board") in November 2022. The Group Sustainability Commitment serves as the foundation for the development of the Group Sustainability Framework and charts our path to becoming a Net Zero Carbon Organisation by 2050.

A structured approach to ESG implementation was established, with nine (9) ESG Leads identifying key areas and managing action plans for each of the nine (9) Sustainability Commitments. The ESG Leads collaborate with the ESG Champions and members of the implementation teams from various departments within the MNRB Group.

The Group Sustainability Commitment was communicated to our employees in an internal soft launch event in January 2023 with a briefing during a Group Townhall session and inaugurated with the distribution of plantable seed cards to symbolise the start of our sustainability journey towards Net Zero.

### Establishment of the Group Sustainability Fund

The Group Sustainability Fund ("GSF") was established to consolidate sustainability-related funds and manage funding for sustainability-related efforts across the MNRB Group, including VBIT and Corporate Social Responsibility ("CSR") initiatives.

A GSF Committee was formed, and it is responsible for providing guidance on the GSF's management, operations, and performance, including administering its distribution and locating an appropriate source of funding for it.

The GSF Committee collaborates with the Ikhlas Barakah House ("IBH") Committee to coordinate the planning and execution of the Group's sustainability focus areas.

### Enhancement of the Group Sustainability Roadmap

As we pursue our sustainability journey, we also intend to ensure that our Group Sustainability Roadmap is comprehensive, aligned with relevant guidelines and recommendations, and meets regulatory requirements.

The MNRB Group has engaged an external consultant to review our current sustainability management and enhance the Group Sustainability Roadmap. The engagement scope includes gap analysis against various guidelines, recommendations, and regulatory frameworks, including the Task Force on Climate-related Financial Disclosures ("TCFD"), benchmarking against identified peers, recommending areas for improvement, and reviewing our current Sustainability Statement against Bursa Malaysia's Sustainability Reporting Guide and TCFD criteria. The project scope also includes capacity building for relevant business units.

### Assessment of Investment Portfolio

The Group Investment team has further enhanced the assessment of our investment portfolio by incorporating the recommendations of BNM's Climate Change and Principles-Based Taxonomy ("CCPT"). The classification and categorisation approach would provide a consistent and rigorous evaluation of the environmental aspects of our investment portfolio.

### Sustainability Awareness and Capacity Building

Several awareness sessions led by external sustainability professionals were held in FY2023 as part of the strategy to strengthen our directors, senior management, and employees' knowledge and understanding of sustainability issues and development. Several topics were discussed, among which were 'Embracing a Sustainable Future', 'Sustainability at Work', and 'Our Role in the ESG Agenda'.

In addition to the awareness programme, relevant staff also participated in various capacity building programmes, such as webinars, trainings, and sharing sessions conducted by MTA, Permodalan Nasional Berhad ("PNB"), Bursa Malaysia, Rating Agencies, the Securities Commission, and BNM's Joint Committee on Climate Change ("JC3"), to improve their ESG-related technical knowledge and skills.

MNRB Group also participated in BNM's CCPT Implementation Group, the Public Listed Transformation ("PLCT") Programme of Bursa Malaysia, and the MTA's Financial Sector Blueprint ("FSB")-VBIT Initiative. This helped keep our employees up to date on developments in the industry, at the national and global levels.

## SUSTAINABILITY GOVERNANCE STRUCTURE

The MNRB Group is committed to maintaining a high standard of sustainability governance through a comprehensive governance framework that includes the Board, senior management, and the business units (comprising multi-functional expertise from different departments and operating entities).

The Group's sustainability strategy and performance are continuously monitored by the Board and reinforced by the Risk Management Committee of the Board ("RMCB"), Group Shariah Committee ("GSC"), Group Management for Risk and Compliance Committee ("GMRCC") and the Sustainability Working Group ("SWG").

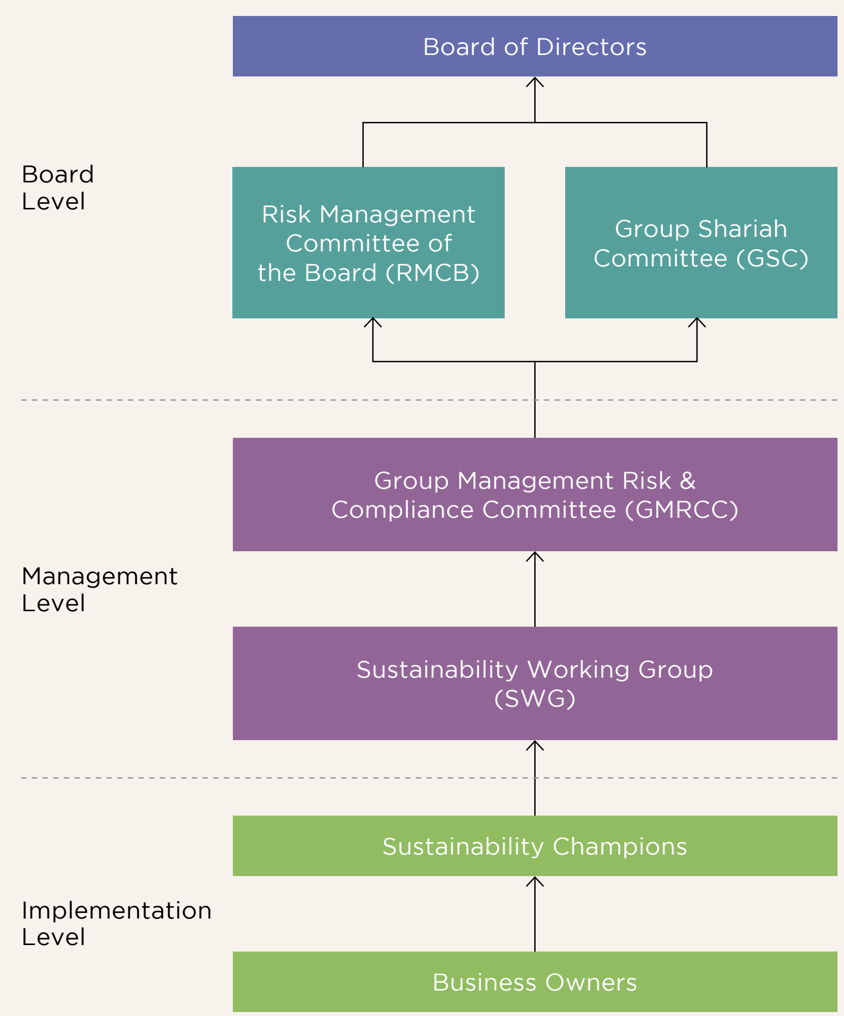



*Diagram 4: Sustainability Governance*

## ROLES AND RESPONSIBILITIES

### Board of Directors

Within the MNRB Group, the boards of the respective entities meets at least six (6) times annually, mainly to review and approve strategic or business plans, financial objectives, major capital and operating budget and matters of policy proposed by the respective management teams.

Each board is tasked with oversight for the performance of management, and is responsible for ensuring that principal risks are identified and that the appropriate mitigation plans are in place. In addition, the Board for MNRB Holdings Berhad has the final authority to approve the Group Sustainability Framework and the annual Sustainability Statement disclosure.

The Board's roles and responsibilities are documented in the Board Charter, which is published on our official website.

### Risk Management Committee of the Board

The Risk Management Committee of the Board ("RMCB") is a board-level committee that meets on a regular basis, at least once every quarter to fulfil its responsibilities delegated to it by the Board, which are mainly related to effective risk and compliance oversight.

The RMCB reports to the Board to keep the Board abreast of the RMCB's activities, key deliberations and decisions regarding the matters delegated to them. One of the primary responsibilities of the RMCB is to assist the Board in providing effective oversight in addressing sustainability risk and opportunities, including the management of climate-related risk to safeguard the Group from the adverse impacts of climate change.

The respective Head of Risk Management at each of the operating entities provide the RMCB with quarterly updates on risk assessments, including trends for potential catastrophic and climate change events.

### Group Shariah Committee

The GSC oversees the delegation of duties by the Board relating to the Shariah aspects pertaining to the implementation of strategies. Within the MNRB Group, the Shariah Governance Policy has been established specifically for the takaful and retakaful businesses, with the primary objective of enhancing the efficacy of Shariah governance.

### Group Management Risk & Compliance Committee

In fulfilling their oversight responsibilities related to the risk and opportunities associated with the Group's strategy and strategic decision-making, the GMRCC assists the RMCB on risk management-related matters, and the Audit Committee of the Board ("ACB") on compliance management-related matters.

The GMRCC conducts at least four (4) meetings annually to discharge its responsibilities. One of the primary responsibilities of the GMRCC is sustainability management, in which it provides effective oversight in addressing sustainability risk and opportunities, including the management of climate-related risks to safeguard the Group from the adverse impacts of climate change.

The Group Risk Management function routinely reports to the GMRCC on key trends and developments in major risk areas, such as the trend of catastrophe losses, which have a substantial impact on MNRB's company's financial performance.



SUSTAINABILITY STATEMENT

### Sustainability Working Group

The MNRB Group's sustainability management is supported by a dedicated SWG, chaired by the Group Corporate Strategy Officer. The SWG is responsible for the development and implementation of the Group's sustainability roadmap and initiatives to address the Group's sustainability matters. This includes facilitating the adoption and integration of sustainability into our business and operations to ensure that relevant risks and opportunities are considered.

The SWG is also responsible for establishing metrics, targets, and key performance indicators as part of the measurement, monitoring, and reporting of sustainability performance. The ESG Champions, Sustainability Champions, and respective ESG Implementation teams serve to ensure proper implementation of sustainability integration and commitments.

In addition, the SWG coordinates the development of the Sustainability Statement disclosure in the Annual Report in line with the Bursa Malaysia's Sustainability Reporting Guide and obtaining the necessary recommendations and approvals from the GMRCC, RMCB and the Board.

The SWG meets quarterly to discuss the progress of the action plans and achievements. All key decisions that require endorsement will be presented to the GMRCC and then to the RMCB for approval or notation.

### ESG Champions and Sustainability Champions

ESG Champions are responsible for steering the overall implementation of the Group Sustainability Commitments and providing quarterly updates to the SWG. They provide guidance and recommendations to ESG Implementation teams, each of which is managed by an ESG Team Lead. The ESG Implementation teams establish metrics, implement action plans, and report to the ESG Champions.

As the Group is composed of different operating entities with distinct natures and risks, Sustainability Champions are appointed as a dedicated Subject Matter Experts representing each entity. They are members of the SWG and provide guidance and advice to the ESG Implementation teams and the respective management team on sustainability-related matters.

The Sustainability Champions facilitate and coordinate the integration of sustainability into the commercial and operational activities at the operating entity, in alignment with the Group sustainability strategy. They are responsible for reporting and updating each entity's management on sustainability initiatives and accomplishments.

The ESG Champions and Sustainability Champions participate in various capacity-building programmes and undergo training to increase their awareness and knowledge of sustainability topics, particularly with regard to understanding climate-related risks and other sustainability-related matters and developments.

## SUSTAINABILITY MATERIALITY ASSESSMENT

The Group maintains a structured approach to sustainability materiality assessment as recommended by the Bursa Malaysia's Sustainability Reporting Guide. In FY2023, we conducted an annual evaluation of our business conditions and reviewed our sustainability materiality assessment.

In order to align business requirements with stakeholders' interests, we have adopted a four-step approach to identify the most important sustainability issues for our business. This procedure is depicted in ***Diagram 5*** below. The goal is to evaluate our business conditions and decide whether to revise our materiality assessment process.

**Step 1**

**Review Existing List of Sustainability Matters**

- We reviewed our list of sustainability matters with reference to both internal and external factors.
- Internal resource: Business strategy and objectives, internal analysis, and risks presented in the risk registers.
- External resource: Sustainability risk trends and emerging risks reported in industry-specific publications and international voluntary reporting standards and guidelines.

**Step 2**

**Impact Assessment**

- We reviewed the outcome of the Impact Assessment exercise to determine the significance of the sustainability matters to the business by considering the degree of impact and likelihood of occurrence of events associated with or within the context of the identified sustainability matters.
- The degree of impact is assessed based on the potential effect of the sustainability matter on our financial situation, operations, human resources, and reputation.
- The likelihood of occurrence, i.e. the potential of the risk occurring.

**Step 3**

**Stakeholder Engagement**

- We reviewed the outcome of the Stakeholder Prioritisation exercise to identify key internal and external stakeholder groups with a high level of influence and dependence on the MNRB Group.
- We engaged with our key stakeholder groups through surveys to gauge their perspectives on the importance of each sustainability matter to the MNRB Group.

**Step 4**

**Validation & Approval**

- We presented the outcome of the overall materiality assessment, i.e., Materiality Matrix to the GMRCC and RMCB for deliberation and approval.

*Diagram 5: Materiality Assessment Process*





## SUSTAINABILITY MATTERS

Our sustainability matters are classified into three (3) pillars: 'Environment: Transitioning to a Green Economy', 'Social: Empowering our People and Society', and 'Governance: Advancing Governance Culture'.

| Environment | Social | Governance |
|---|---|---|
| **Climate Risk & Emissions Management**<br>• The processes and practices to manage and mitigate the risks associated with climate change and reduce emissions.<br><br>**Responsible Investment**<br>• The investment approach which also considers ESG factors when making investment decisions.<br><br>**Digital Transformation**<br>• The integration of digital technology into all areas of a business which would change how that business operates and delivers value to its customers or stakeholders. | **Employee Experience Centric**<br>• The approach whereby employee requirements and well-being are prioritised in the business strategy.<br><br>**Community Improvement**<br>• The process of making positive changes in a community's social, economic, and environmental structures to improve the overall quality of life in the community.<br><br>**Responsible Products & Services**<br>• The products and services which are designed, produced, and delivered in a way that minimises negative ESG impacts. | **Sustainability Governance**<br>• The processes and structures to manage sustainability initiatives and ensure alignment with overall business strategy.<br><br>**Cybersecurity & Data Privacy**<br>• Cybersecurity entails measures to protect electronic devices, systems, networks, and data from cyber-attacks; whereas data privacy is the protection of personal data and sensitive information from unauthorised access, use, or disclosure.<br><br>**Ethical Business Practices**<br>• The practices which are based on ethical values and aim to ensure responsible and sustainable business conduct. |
| Mapping to SDGs: 11, 12, 13 | Mapping to SDGs: 5, 8, 10 | Mapping to SDGs: 12, 16, 17 |

*Diagram 6: Sustainability Matters FY2023*

### STAKEHOLDER PRIORITISATION

As depicted in ***Diagram 7***, Employees, Clients, Business Partners/Intermediaries, Investors/Shareholders and Communities are perceived as key stakeholder groups with a high degree of influence and dependence on the MNRB Group.

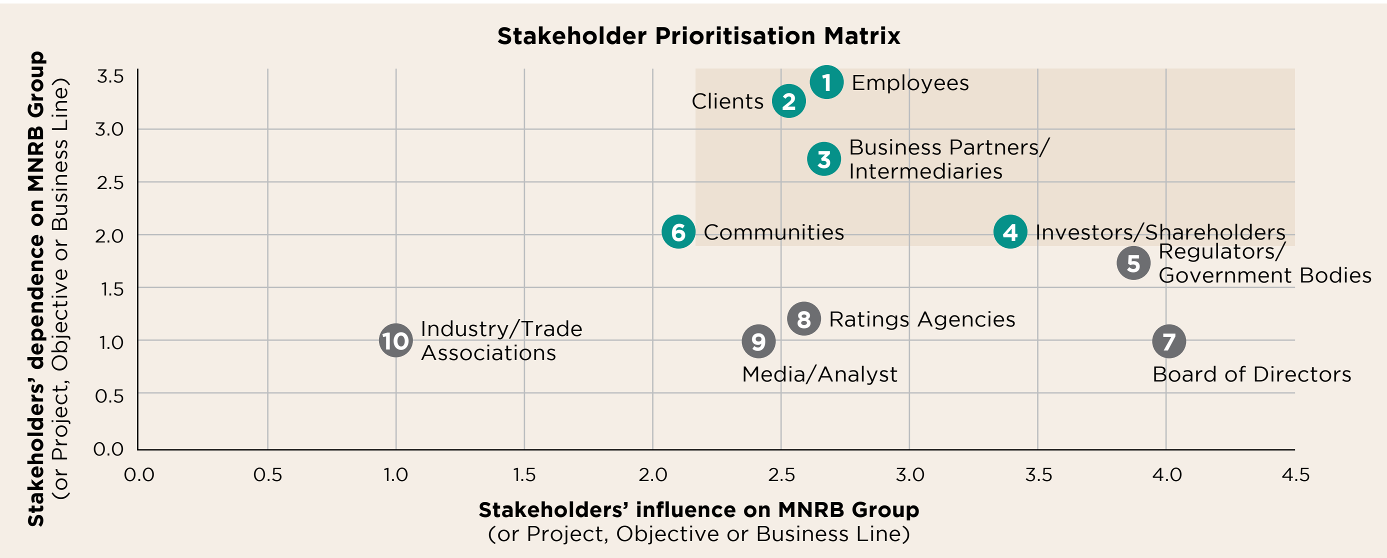



*Diagram 7: Stakeholder Prioritisation Matrix*

### SUSTAINABILITY MATERIALITY MATRIX

As depicted in ***Diagram 8*** below, our top six (6) material sustainability matters are Climate Risk and Emissions Management, Ethical Business Practices, Responsible Products and Services, Employee Experience Centric, Cybersecurity and Data Privacy, and Digital Transformation. The following sections of this Statement address efforts to manage and monitor the Group's performance on these sustainability matters.

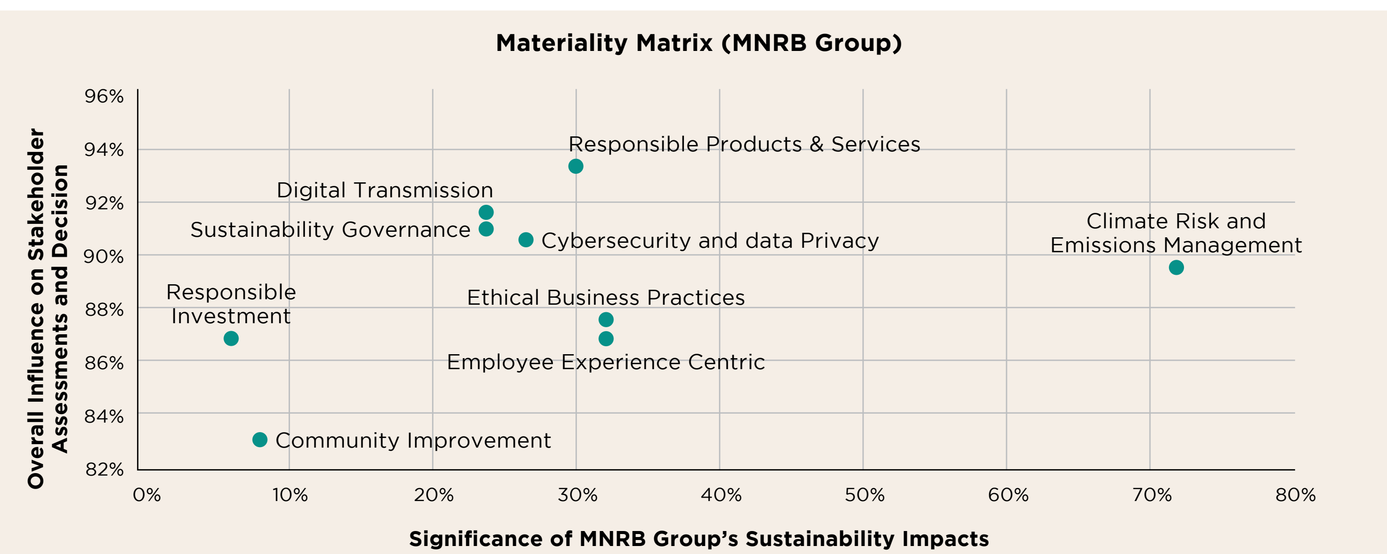



*Diagram 8: Sustainability Materiality Matrix*







### SUSTAINABILITY VALUE CREATION

# TRANSITIONING TO GREEN ECONOMY

## ① Climate Risk and Emissions Management

Climate Risk and Emissions Management has been identified as one of our sustainability matters for FY2023. In the past, we have implemented some initiatives to reduce our carbon footprint and manage the environmental impact of our business operations. Following the identification and implementation of action plans under the Group Sustainability Commitment by the ESG Implementation team, we intend to intensify our efforts to further reduce the carbon emissions generated by our activities and supply chain.

### Managing Our Climate Risk

The MNRB Group has established a Group Risk Management Framework and Policy ("Risk Management Framework"), which is based on the risk appetite defined by the Board and is in line with the principles of risk governance stipulated in the BNM Risk Governance Guidelines. The Group adopts a comprehensive approach to risk management that is embedded in the Risk Management Framework. This includes the process of identifying, assessing, measuring, controlling, mitigating, and continuously monitoring the risks that affect the Group as a whole. It includes regular self-assessments of all reasonably foreseeable and material risks faced by the Group.

With the growing importance of ESG issues, especially climate change and its impacts on business operations and financial performance, the Group has included ESG risk as part of the Group Risk Landscape. The Group has been closely managing adverse climate events resulting from physical climate risk, which has a direct effect on financial performance and more so on operational risk. The catastrophe risk exposure resulting from physical climate risk is modelled and monitored using the AIR Worldwide CAT Modelling Tool ("AIR") and Risk Management Solution ("RMS").

Further risk assessment is performed on a quarterly basis, with any risk exposure being integrated into sensitivity analysis, scenario analysis, and stress testing models to evaluate and quantify its effect on the Group's profitability and solvency. The results of this assessment and measurement, as well as the trend and development of the large losses, are then presented to the GMRCC and RMCB.

The Group is committed to implementing sound risk management and governance practises. The Group Risk Management function reviews the Risk Management Framework and other applicable frameworks and policies, at least annually, to ensure their efficacy in addressing the emerging risks.

Further and ongoing discussions will be held with stakeholders and relevant governance bodies to enhance the Risk Management Framework and incorporate ESG and climate-related risks consideration, and their corresponding definitions.

By doing so, the Group aims to enhance the business' resilience and long-term sustainability while contributing to the broader environmental objectives of sustainable development.

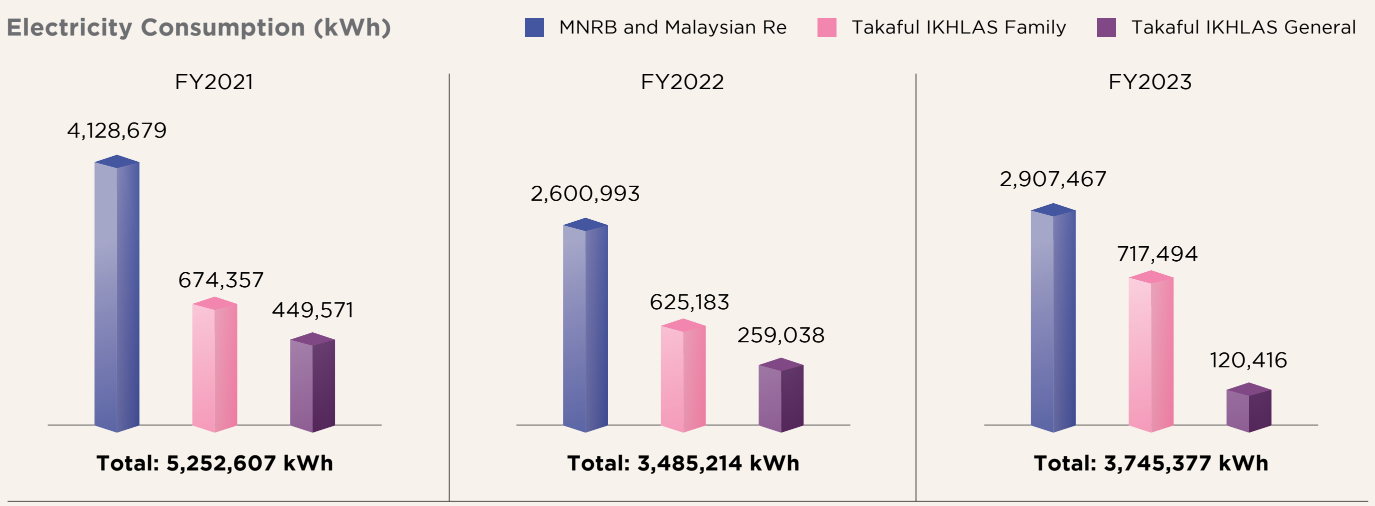
### Enhancing Our Operational Practices

We aim to reduce the environmental impact of our operations, from the energy and resources we consume to the waste we generate, by implementing energy-efficient practises in our office buildings and closely monitoring our consumptions.

Our efforts to date/plans entail:

- ☑ Reducing our operational carbon footprint through digitalisation of our front-end, internal processes, and distribution channels; considering ESG elements in our technology decisions and measuring our carbon emissions.
- ☑ Using energy-saving electrical appliances, renewable energy sources, and smart technology to create an energy-efficient building.
- ☑ Optimising business travel through hybrid working arrangements and virtual meetings.
- ☑ Incorporating ESG considerations into our underwriting, investment, and procurement procedures, as well as advocating the same for our supply chain while phasing out non-sustainable providers.
- ☑ Adopting sustainability-themed investments through divestment and capital reallocation.
- ☑ Developing sustainability-linked solutions to help manage and mitigate climate-related risks, as well as provide reinsurance support for green underwriting.
- ☑ Continuing collaboration with counterparties on sustainability-based practises.
- ☑ Considering carbon offset arrangements by investing in carbon-reduction initiatives and purchasing carbon offsets on difficult-to-abate assets.

### Our Electricity Usage

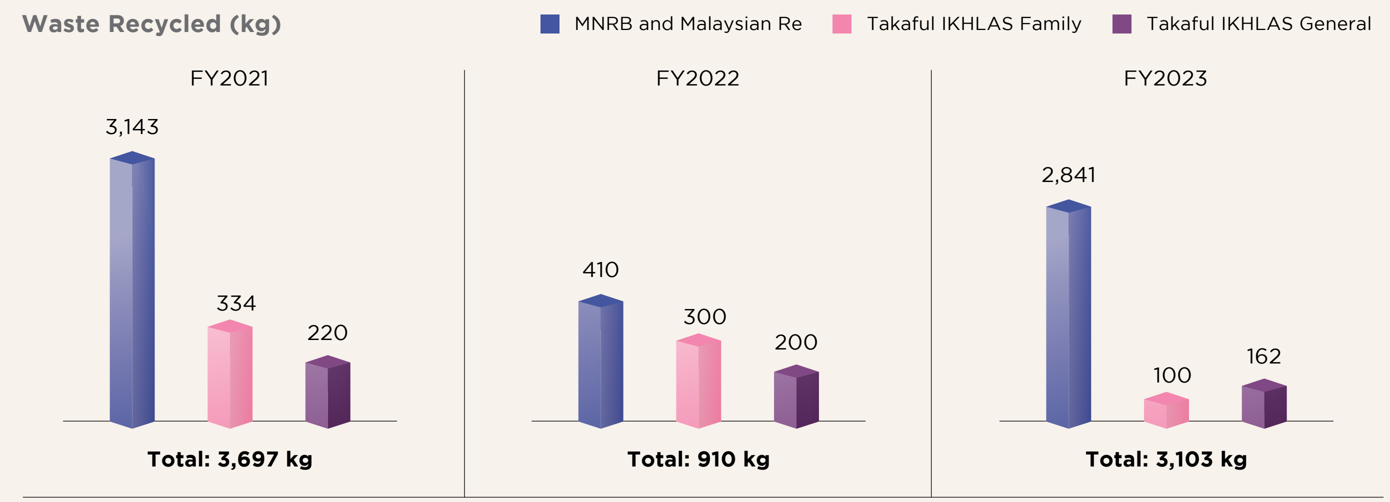



*FY2022: 34% reduction | FY2023: 7% increase.*
*The rise in electricity usage in FY2023 corresponded with the increase in the number of employees working at the office.*



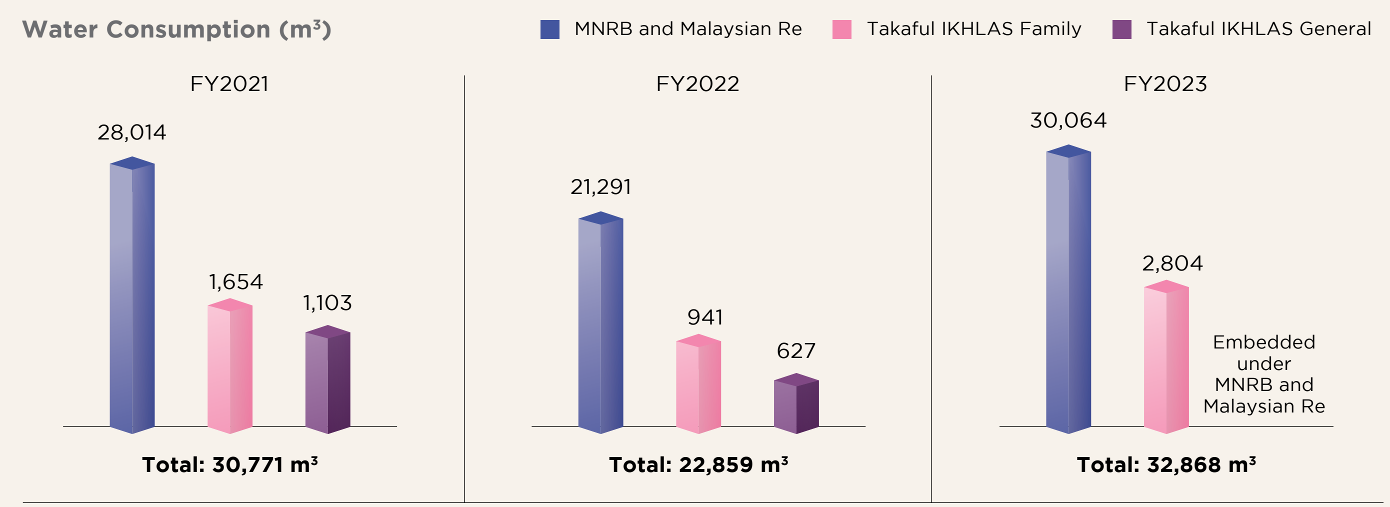


### Our Waste Management




*FY2022: 75% reduction | FY2023: 240% increase.*
*The increase in waste recycled was attributable to the recycling of old documents.*

### Our Water Conservation




*FY2022: 26% reduction | FY2023: 44% increase.*
*The increase in water consumption was attributable to the increase in the number of employees working at the office.*

### Our Emissions Management

The following reflect some of the initiatives implemented in FY2023 to manage our emissions:

| | |
|---|---|
| **Sustainable Investing** | Gradually building an ESG portfolio with a certain target commitment by using ESG analysis, an enhanced approach and third-party scoring to enhance our investment process.<br>As of 31 March 2023, our listed equities are 82% ESG-compliant while Bonds are 56% ESG-compliant. Both assets are above our ESG target level for FY2023. |
| **Family Takaful Online Training for Agents** | The Learning Management System (“LMS”) and the Training Management System (“TMS”) were launched on 1 March 2022 to provide the Family Takaful agency force with training management and modules. All reports and materials can be retrieved and downloaded as necessary. |
| **General Takaful Merimen e-Claims** | Electronic claims processing via the Merimen e-Claims system:<br>• 100% of Own Damage and Windscreen claims are processed in the Merimen e-Claims system.<br>• 90% of claims for all other classes are processed in the Merimen e-Claims system.<br>• The claims integration process between the front-end and back-end systems for Non-Motor Claims is scheduled to be implemented by the first quarter of FY2024.<br>• The ability to facilitate claims notifications and document submissions via website and mobile apps was deployed in September 2022. |
| **General and Family Takaful e-Certificates** | General Takaful customers who subscribe to our Motor, Fire, Personal Accident, or Travel PA receive system-generated e-certificates by email. In FY2023, this facility was expanded to include other products.<br>This has increased the speed by which certificates are delivered and resulted in savings in printing costs for FY2023.<br>For Family Takaful, the e-certificate capability was implemented in FY2023 for all advisory products promoted by Agency distribution. Effective April 2023, we have implemented 100% e-certificate which will ultimately lead to more savings in printing expenses.<br>Today, our customers are given the option of hard copy documents or e-certificates. In FY2023, we achieved approximately 10% savings in printing expenses.<br>On top of this, information such as production reports are today made available via the platform, thereby reducing the need to print and deliver hardcopy reports to intermediaries even further. |
| **General Takaful Green Energy Incentive** | 2.5% Green Energy Incentive discount for eligible risks<br>a) For manufacturing risks with a Sum Covered (“SC”) of more than RM50 million where alternative or renewable energy is produced from green initiatives such as solar, hydropower, etc., the risk may be eligible for a discount of up to 2.5% off the rates, subject to the Underwriting Department’s overall risk assessment.<br>b) For non-manufacturing risks with a SC of more than RM50 million that use comparable alternative energy, the allowable discount is subject to the Underwriter’s risk assessment and discretion. |





## 2 Responsible Investment

Investment remains a critical component of our operations. We invest to maximise returns while balancing the risks, ultimately creating value for our stakeholders. The Group’s investment management strategy focuses on capital preservation, liquidity management, and return optimisation through a systematic and organised investment process.

The Board oversees the investment process through the Group Investment Committee, which also considers sustainable investment criteria.

Our Group Investment Department and Group Investment Management Committee maintain effective risk management by prudently monitoring existing investment portfolios and screening potential investment portfolios, in accordance with our Investment Policy Statement (“IPS”). The Investment Department safeguards the portfolios by adhering to approved Strategic Asset Allocations that have been thoroughly reviewed and approved by the Board.

### Sustainable Investing

We uphold responsible investing practices with the inclusion of Sustainability Investing criteria in our IPS. This considers sustainability factors to better manage risk and generate sustainable long-term returns in the investments we make. As part of our commitment to a more sustainable future, we regularly analyse the investment process to improve our sustainability investing.

The FTSE4Good Bursa Malaysia (“F4GBM”) Index is an index that adheres to internationally recognised standards of responsible investment. The investment team adopts good sustainable investing practises by referring to the constituents of the F4GBM Index, which are screened in accordance with the transparent and defined ESG criteria.

We are also increasing our exposure to sustainable assets in tandem with the growth of sustainable bonds/sukuk in the fixed income market. Sustainability bonds/sukuk are based on the Securities Commission of Malaysia’s guidelines which are aligned with the SRI Sukuk Framework. These bond/sukuk are also evaluated by third-party credit rating agencies in Malaysia.

### Climate Change Alignment

Effective July 2022, financial institutions must submit their half-yearly exposure reports to BNM in accordance with the CCPT classification. The CCPT classification exercise provides us with better insights into our portfolio’s exposure to climate risks and their impacts. In accordance with this, we have classified climatic assets in the portfolio based on the classification guidance provided by BNM.

### Shariah-Compliant Investing

All our investments must also conform to Shariah-compliant instruments and avoid exposure to sectors that contravene our commitment to responsible investment, such as gaming and alcohol-related industries. Investments are made only with approved counterparties that satisfy the required rating and other relevant criteria, while remaining within the approved credit limits specified in the investment policies and guidelines.

In addition, the Investment Department ensures that our investments adhere to Shariah principles in accordance with the requirements of our takaful funds. The takaful contributions are exclusively invested in Shariah-compliant instruments. The Compliance Management Department (Shariah Review) regularly verifies compliance and reports to the Group Shariah Committee.

## ③ Digital Transformation

The MNRB Group recognises that digital transformation plays a significant role in addressing ESG concerns, such as the use of document management systems that reduce paper usage, the use of social media for stakeholder engagements, the provision of data analytics to identify risks and opportunities, and so on.

Digitalisation is critical if the insurance and takaful businesses are to thrive now and in the future. The MNRB Group has high expectations of the opportunities that digitalisation presents in providing solutions to our stakeholders. The adoption of new technologies with ongoing development is advantageous since it allows us to meet our duties and pursue excellence.

In FY2023, our digital transformation continued with the expansion of the Digital and Innovation department's activities and the relevant projects under the Group Transformation Programme. We continue to work on various Robotic Process Automation ("RPA") initiatives to enhance the operational efficiency of our back-office processes, including claims management, operations, and finance.

### IKHLAS GO Ecosystem

Over the course of FY2023, we intensified our efforts to improve the IKHLAS GO ecosystem since its introduction in FY2021 to facilitate the following:

**GO Partner**

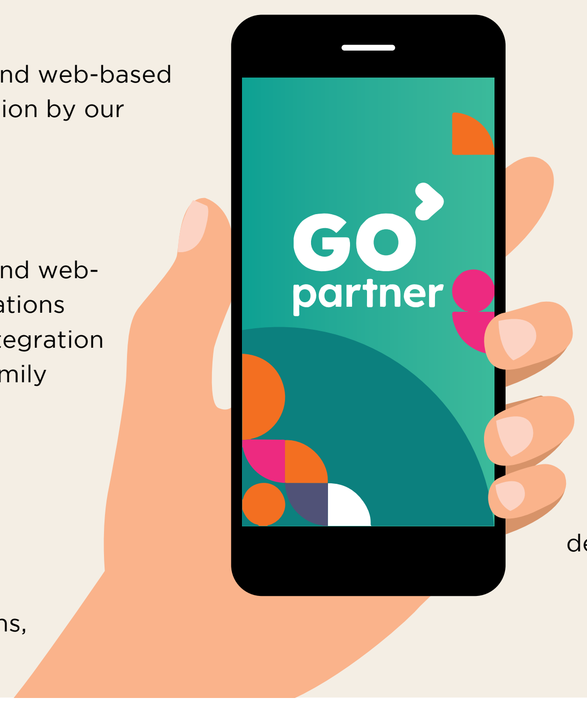
Enhancements to mobile apps and web-based functionalities to increase adoption by our General Takaful agents.

**GO Prime**

Enhancements to mobile apps and web-based functionalities for e-quotations and e-submissions, as well as integration with the main system for our Family Takaful intermediaries.

**GO Serve**

Enhancements of web-based services for customers and agents, such as claim submissions, enquiries and payments.




**GO Direct**

Enhancements to the onboarding experience for online takaful participants.

**GO Connect**

Integration of the open API platform with new digital partners.

**GO Financial**

Additional product development and deployment with identified bancatakaful partners to facilitate sales onboarding.





In FY2023, five (5) more enhancements to the IKHLAS GO solutions were deployed including GO Serve claims submissions, GO Financial integration with new bancatakaful partners, GO Partner functionalities for General Takaful agents, as well as GO Financial and GO Direct Motor and PA product deployment.

All of these are supported by comprehensive security measures to ensure that our customers are treated fairly, and their personal data is protected.

| | |
|---|---|
| **Operational Automation** | Several digital transformation projects were undertaken throughout FY2023 to facilitate operational automation of the Group and its operating entities, with the goal of improving internal process efficiency, fraud mitigation, and product innovation. In addition, the Group is developing a new CRM Suite and customer portal for Takaful IKHLAS. The continuing development of the Enterprise Data Warehouse ("EDW") is also essential to ensure appropriate and reliable access to customer data. |
| **Branch Transformation – Virtual IKHLAS Points** | During the year, Takaful IKHLAS General continued to expand its Virtual IKHLAS Points, known as "VIP Branch" as part of the Branch Transformation project. This effort would enhance our outreach to agents and customers through non-physical branches. To date, ten (10) VIP branches have been established nationwide. We plan to open five (5) more VIP branches in FY2024. |
| **Reducing Carbon Emissions** | Leveraging digitally-enabled facilities has also reduced the need for physical meetings, thereby reducing business travel for meetings or conferences or long-distance travel to the offices of international counterparts. Similarly, digital technologies have enabled efficient remote and hybrid working capabilities, reducing the need for physical space even as we increase our workforce to meet rising production demands, and reducing the scale of commuting to work. Furthermore, the digitalisation of documents and processes significantly reduces paper consumption, leading to lower deforestation and minimising water and energy requirements for paper production and disposal. All of these are positively correlated with carbon emission levels, thereby mitigating our environmental impact and contributing to a more sustainable future.<br><br>Possessing a digital presence provides us flexibility which in turn improves our customers' accessibility and accords them personalised experiences. We will continue our journey towards making a positive impact on communities and the environment by embracing new technologies such as cloud computing, machine learning and artificial intelligence for both front-end applications and back-end processes. |

# EMPOWERING OUR PEOPLE AND SOCIETY

## ④ Employee Experience-Centric

At the MNRB Group, we are committed to nurturing a culture of excellence and sustainability. This is achieved through an integrated approach to employee wellness, diversity, equity, and inclusion ("DE&I"), employee experience ("EX"), and operational excellence ("OE"). We believe that this starts with our people, and we are committed to investing in them through human capital initiatives that support ESG considerations.

The Group prioritises an employee experience-centric approach. Our aim is to improve employee retention, attract top talent, and create a positive work environment that fosters innovation, productivity, and organisational success. Concurrently, we are evaluating our employee benefits to ensure they are competitive and support our sustainability agenda.

### Employee Well-Being

We recognise that promoting the physical, mental, and emotional health of our employees is essential to establishing a sustainable workplace, which is why we have implemented a variety of programmes and initiatives to do so.

During FY2023, no work-related fatalities or substantiated reports of human rights violations were reported. Our Occupational Health and Safety ("OSH") team is well-versed with our OSH Policy, and currently seventeen (17) employees are certified First Aiders.

### Hybrid Working Arrangement ("HWA")

The MNRB Group is dedicated to supporting environmentally friendly practices, and one way we do so is by providing a hybrid working arrangement. This arrangement allows our employees to work remotely or on-site, reducing the need for daily commutes and, as a result, reducing our carbon footprint. During FY2023, approximately 80% of the Group's employees utilised this arrangement, while all employees currently benefit from our flexible working hours arrangement.

By providing our employees with flexible work options, we are not only reducing our environmental impact but also assisting them to find a better balance between work and life, which leads to increased job satisfaction, productivity, and well-being. We believe that by promoting sustainable work practices, we can contribute to a more sustainable future for communities and our planet.

The HWA initiative, which was introduced in April 2022, allows Heads of Departments to plan their respective work arrangements subject to the needs of the business and its operations.





### Wellness Awareness and Mental Health Support Programme

The Group Human Capital Management has implemented several initiatives designed to promote mental health and well-being. We also promote Naluri, a third-party provider, as part of the Employee Assistance Programme in order to offer counselling on mental stress issues.

The following are among some of the Wellness and Support Programmes that we undertook in FY2023:

| | Programme | No. of Attendees |
|---|---|---|
| 1. | Webinar On World Obesity Day 2022: Everybody Needs to Act | 256 |
| 2. | Webinar on Vitiligo ("Sopak"): When Colour Matters | 251 |
| 3. | Workplace Health Awareness Programme | 650 |
| 4. | Webinar on Metabolic Health - Food as Medicine & Intermittent Fasting | 721 |
| 5. | Mental Health by Naluri: Alamak! Stress LAH (Learn, Adapt, Handle) | 668 |

### Employee Activities

We believe that the health and well-being of our employees are crucial for establishing a sustainable future. As such, the Group is committed to providing a work environment that promotes a healthy way of life and sustainable living. For instance, we provide:

- An on-site gymnasium facility for the convenience of all employees, thereby promoting regular physical activity and wellness.
- Sport activities including Zumba classes conducted by a certified instructor to promote a fun and engaging method of staying physically active.

By promoting employee well-being, we aim to foster a supportive, inclusive, and empowering workplace culture.

### Employee Engagement

We recognise that active employee engagement is essential for the development of a sustainable business. In order to achieve this goal, we have organised a wide variety of engagement activities to encourage participation. These activities have contributed to a positive and collaborative workplace culture by fostering a sense of community and connection among our employees.

For FY2022, the Employee Engagement Scorecard indicated an overall Engagement Index of 88%.

| Operating Entity | MNRB | Malaysian Re | TIFB | TIGB | MNRB Group |
|---|---|---|---|---|---|
| Engagement Index | 85% | 93% | 88% | 87% | 88% |



OUR BUSINESS
PERFORMANCE & OUTLOOK
FINANCIAL REVIEW
GOVERNANCE
FINANCIAL REPORT
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Some of FY2023's engagement activities included the following:

| Programme | Description |
|---|---|
| 1. **Quarterly Town Hall** | This is a quarterly event where senior leaders provide updates on developments within the Group, discuss business strategies, and engage in conversations with employees. It is an opportunity for employees to pose questions, share feedback, and keep abreast of the company's future. |
| 2. **Merdeka and Malaysia Day Celebration** | These are cultural events that commemorate Malaysia's Independence Day (Merdeka Day) and Malaysia Day. These are occasions to celebrate the rich cultural heritage and national pride of Malaysia. In FY2023, we held a Tik Tok video competition and a Malaysia Day Brisk Walk event. |
| 3. **Coffee sessions with PGCEO and PCEO** | These informal coffee sessions between the company's PGCEO/PCEO and employees serve as a platform for employees to engage with senior leaders in a relaxed setting. Participants can pose questions, exchange feedback, and gain insights into the company's vision and strategies at these sessions. |
| 4. **Engagement Sessions with Departments** | These department-specific engagement sessions aim to improve communication, collaboration, and engagement within each department. These sessions typically include updates on department-specific goals and discussions on best practices as well as provide opportunities for employees to ask questions and give feedback. |
| 5. **Futsal Tournament** | In the month of December 2022, the Group's sports club organised this team-building activity to foster camaraderie and healthy competition among employees. |
| 6. **World Cup Fever: Now Is All! – Creative Photo Contest** | This photography contest challenged employees to creatively capture their excitement for the upcoming World Cup. It was a fun activity that encouraged creativity and collaboration among employees. |
| 7. **Team Building Programmes** | Team-building programmes are conducted at the company and departmental levels within the Group. They serve to improve teamwork, communication, and problem-solving skills among employees as well are designed to foster collaboration and build stronger teams. |
| 8. **Chinese New Year Celebration** | To celebrate the arrival of the Lunar New Year, MNRB Group hosted a festive Chinese New Year ("CNY") celebration for its employees on 27 January 2023. The event featured a variety of engaging activities, including a lucky draw with exciting prizes, a Yee Sang tossing ceremony, a CNY quiz to test staff's knowledge of the Chinese culture and traditions, staff performances showcasing our employees' talents, and a delicious hi-tea spread of festive delights. Around 200 staff participated in FY2023's CNY event onsite at the head office in Bangunan Malaysian Re, while many more joined virtually. |
| 9. **Table Tennis and Carrom Tournaments** | Sports tournaments were held for employees to compete in the games of table tennis and carrom. This team-building activity helped foster camaraderie and friendly competition among employees. |





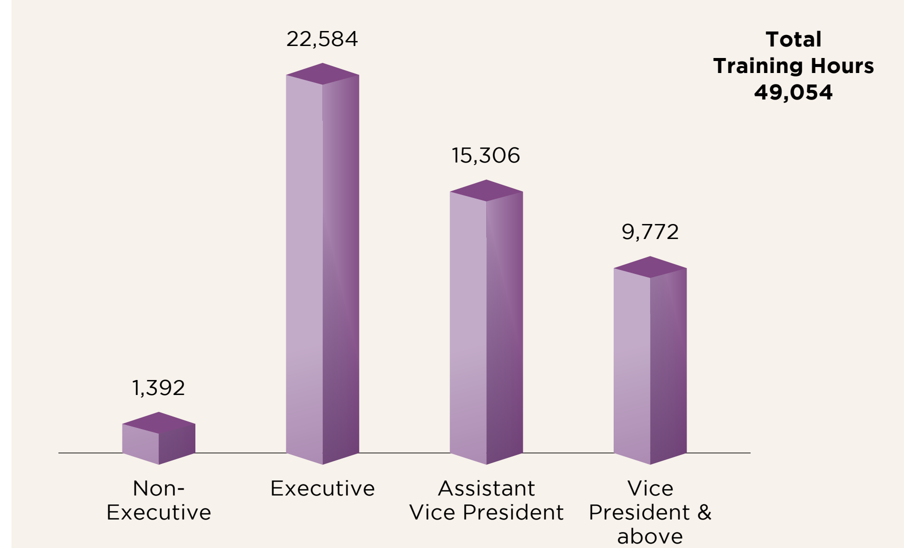


| Programme | Description |
|---|---|
| 10. **Onboarding and Induction Programme** | This programme is designed to onboard new employees and provide them with an introduction to the company's culture, values, and processes. It is also an opportunity for new employees to meet their colleagues as well as learn about the Group's vision and strategies. |
| 11. **International Women's Day Celebration** | In FY2023, MNRB celebrated International Women's Day, a global event that honours women's social, economic, cultural, and political achievements. From 8-10 March, we hosted a series of engaging activities to honour and empower women in our organisation. A mix of internal and external speakers were invited to speak on the topics of 'Innovation & Technology' and 'Leadership: Demonstrating Care through Inclusive Leadership'. |
| 12. **Football Friendly Matches** | The MNRB Group is not short of talent when it comes to football. We regularly organise friendly matches with other teams including other insurance or takaful operators to foster camaraderie within the Group and the industry. |
| 13. **Ramadhan Care to Share** | Ramadhan is a month of reflection, gratitude, and altruism. At MNRB Group, we believe in living these ideals and creating a positive impact in our community. To that end, we continue to run our Ramadhan Care to Share Programme. This entails organising a range of activities throughout Ramadhan to promote spiritual reflection and giving back to our community. Tazkirah Zohor sessions and Friday iAwareness programmes are intended to deepen our understanding of Islam and strengthen our faith, while Tadarus Al-Quran programmes re-connect us with the holy book and inspire us to do good. Employees also receive Iftar packs and Mangkuk Tingkat as part of our giving back to community. In FY2023, we invited all employees to participate in this meaningful programme, as we came together to care and share with our community. |

### Employee Development

As part of our efforts to create a workforce that is skilled, motivated, and adaptable to change, we are committed to supporting our employees' professional development through training programmes that provide them with opportunities to learn and grow. Our aim is to create a workforce that is skilled, motivated, and adaptable to change.

**Employee Training Hours**



The following are among of the programmes that were conducted throughout FY2023:

| No. | Programme |
|---|---|
| 1. | Webinar on Cyber Security Awareness |
| 2. | The Future of Work: Embracing Change & Transitions |
| 3. | Managing Hybrid Teams |
| 4. | Shariah Structured Training: Fundamentals of Shariah |
| 5. | Fraud & Financial Scandals |
| 6. | Webinar on Shariah Structured Training (SST) Webinar Session for Module 2 – 'Business Models in Takaful' |
| 7. | Workplace Health Awareness Programme |
| 8. | Webinar on Sustainability Awareness by KPMG: Our Role in ESG Agenda |
| 9. | Kursus Pengajian Syariah & Muamalat |
| 10. | Education Assistance Programme ("EAP") |
| 11. | Professional Membership |
| 12. | Talent Forum |

### Employee Profile

Our Recruitment Policy governs all aspects of our employment practices. We recognise the value of having diverse talent across different gender and age groups, thereby enabling us to leverage the wealth and breadth of experience and industry exposure of the more experienced talent and the more creatively inclined mindsets of younger personnel.

***Diagram 9*** illustrates our current employee profile. Our initiatives to support the development of local talent underscores our commitment to strengthening the Malaysian economy and fortifying the growth of the local reinsurance and takaful industry. We are also committed to supporting gender diversity by working towards an equal representation of both men and women, thereby creating an inclusive environment that embraces diversity and promotes gender balance.

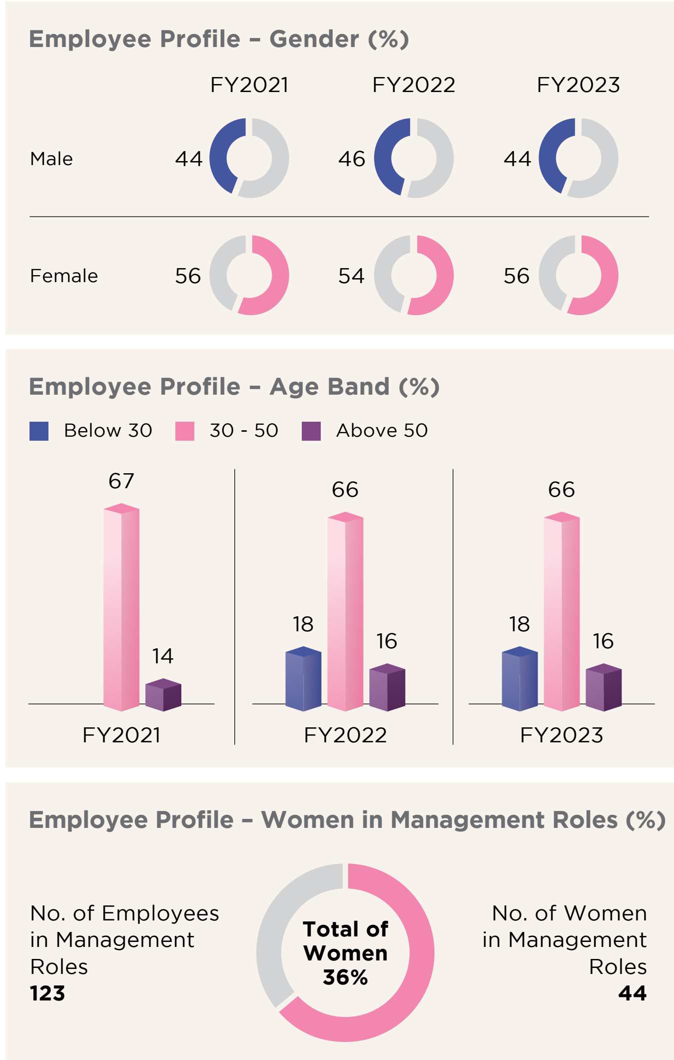



*Diagram 9: Employee Profile*

### Employee Turnover Rate

| Employee Category | Turnover Rate |
|---|---|
| Senior Vice President | 10% |
| Vice President | 5% |
| Assistant Vice President | 17% |
| Executive | 15% |
| Personal Assistant | 18% |
| Clerk | 9% |
| Uniform | 7% |

In FY2023, we had 54 contract employees but no temporary employees.





### Operational Excellence

The MNRB Group believes in nurturing a mindset of continuous improvement among our people to improve the efficiencies and productivity of the overall organisation. We are committed to providing a supportive work environment that enables our employees to perform at their best, while also embracing innovative solutions.

As part of the Group Transformation Programme, we embark on Digital & Innovation initiatives within MNRB to increase efficiency and productivity while keeping costs competitive. This has indirectly led to a reduction in employee workloads as more processes are simplified and automated, allowing employees to free up their time and focus on more core value-added activities.

By automating our processes, we also reduce the risk of employee burnout and ensure that our employees can maintain a healthy work-life balance. Our goal is to create a workplace that empowers our employees to excel in their roles while also enabling them to have fulfilling personal lives.

We believe that our Automation Initiative will benefit not only our employees, but also our customers and other stakeholders. By increasing our productivity and efficiency, we can meet customer demands more quickly, resulting in better customer experiences, while simultaneously reducing expenses and enhancing our bottom line.

During FY2023, about RM2.0 million in savings was attributed to automation. The following are examples of initiatives that have been implemented successfully:

| | Process | Benefits |
|---|---|---|
| 1. | KPI Moderation | TAT: 10 days to 2 days in a year |
| 2. | Post-Implementation User Rating Survey | TAT: 5 days to 2 days<br>An estimated 25 submissions/year |
| 3. | Technical Services Billing Process CR | TAT: 3 days to 1 day<br>An estimated 25 submissions/year |
| 4. | Treaty Admin Service Request | TAT: 30 days to 14 days<br>An estimated 50 submissions/year |
| 5. | Journal Interface for Inward and Outward Businesses | FTE savings of RM20,930 |
| 6. | Bloomberg Exchange Rate Extraction | FTE savings of RM17,710 |
| 7. | Hospital Income Benefit Claims Automation | FTE savings of RM108,092 |
| 8. | Claims Loss and Reserve Updates | FTE savings of RM27,600 |
| 9. | Immediate Death Benefits Claim Automation | FTE savings of RM43,237 |
| 10. | Business Partner Rating Extraction | FTE savings of RM161,000 |

*Note: TAT denotes turn-around time.*

### Continuous Improvement

We recognise that the transformation of our workplace culture is key to building a sustainable business that can adapt to changing market conditions while remaining competitive. To that end, we have embarked on a culture transformation initiative with the goal of cultivating a culture of continuous learning, innovation, and excellence.

We have introduced our Continuous Improvement ("CI") programme, as part of this effort, which encourages our employees to identify opportunities for improvement in our business processes and operations. Through this programme, we strive to achieve substantial improvements in efficiency, quality, and customer satisfaction.

Two (2) workshops were conducted in February 2023 and twenty-nine (29) employees from various departments and job levels across the Group participated in the workshops. After the completion of the programme, each participant had ten (10) hours of additional coaching to help them sharpen their skills.

We believe that by promoting a culture of sustainability and excellence through initiatives that prioritise employee well-being, engagement, development, and continuous improvement, we are building a business that will last. We are committed to continuing to invest in our people and culture to achieve our long-term goals and are proud of the progress we have made so far.

## ⑤ Community Improvement

The MNRB Group aspires to actively contribute to community improvement by improving the standard of life and well-being of our employees, intermediaries, industry talents, customers, and the communities in which we operate. Through our corporate social responsibility and value-based intermediation efforts, we continue the Group's culture of giving back to society.

### Nurturing Industry Talent

As a market leader in reinsurance, retakaful, and takaful, the MNRB Group remains committed to sustaining industry growth while also contributing to societal needs. We share the responsibility for nurturing the industry's development by preparing and equipping professionals with the necessary knowledge, skills, and competencies.

Our aim is to create a pool of skilled young talent capable of leading the industry in the near future. The Group has continued to leverage technology to provide talent with the required industry knowledge. At the same time, we strive to support communities and build up their ability to transition to economic resilience. These goals are achieved through the implementation of our initiatives and events throughout the year.

Malaysian Re also continues to organise technical training courses for our corporate clients' underwriters in order to scale up their risk analytics capabilities. These courses are offered to both local and international participants. Our Annual Cedants' Workshop provides additional opportunities to discuss current market issues and share our expertise with the market.

Some of our key market training programmes are as follows:

| Market Training Programmes | | |
|---|---|---|
| **Young Emergent Leadership Showcase ("YouLead!")** | **Programme for Insurance Executive Development ("PIED")** | **Technical Courses in Fire Risk Assessment and Special/ Self-Rating ("FRA")** |
| A leadership programme for young emerging managers with high potential that focuses on effective leadership fundamentals, deciphers key industry issues and provides knowledge-sharing/ regulatory updates on the insurance industry by experts in their fields. A continuous support group is formed for each batch after the programme.<br><br>In FY2023, the programme entitled 'YOULEAD: Being Ready for Agile Leadership Transformation' was held from 5 to 9 September 2022 involving forty (40) participants from Malaysia and other ASEAN nations. | This is designed for executives with at least two (2) years of work experience in the insurance industry, as well as for those who are well versed in the knowledge of the four (4) classes of insurance (i.e., Marine, Engineering, Fire & Property and Liability).<br><br>In FY2023, the programme was held virtually from 1 to 4 August 2022 with eighty-four (84) participants from Malaysia and other ASEAN nations as well as Pakistan and India. | A programme designed to educate underwriting and marketing professionals from insurance companies with at least two (2) years of experience. Participants are expected to conduct fire risk surveys and have a good grasp of the special / self-rating rules and computation.<br><br>For the financial year under review, the annual FRA programmes for the industry were held on 27 February - 1 March 2023 and 20-22 March 2023 respectively with twenty (20) domestic participants for each of these sessions. |





| Other impactful Market Training Programmes conducted in FY2023 | |
|---|---|
| 1. | Seminar on Reflect, Reimagine, Reset: The Insurance Innovation Imperative (Collaboration with Pacific Life Re) |
| 2. | Great Malaysian Flood ("GMF") Event: Lessening The Impact to the Insurance & Takaful Industry |
| 3. | Malaysian Re's Webinar – 'Property Underwriting' |
| 4. | SILSR Seminar – 'Intricacies of Hull Underwriting and Market Perspectives' |
| 5. | Global Training Initiatives - Webinar on Cardiac Arrhythmias (Collaboration with Pacific Life Re) |
| 6. | Claims Rendezvous –'Climate Change: A Game Changer in Claims Management?' |
| 7. | MRDL Clients' Workshop – 'Reinsurance Simulation Programme' |
| 8. | MRRD Webinar – 'Empowering the Takaful Industry Through Shariah-Value Creation' |

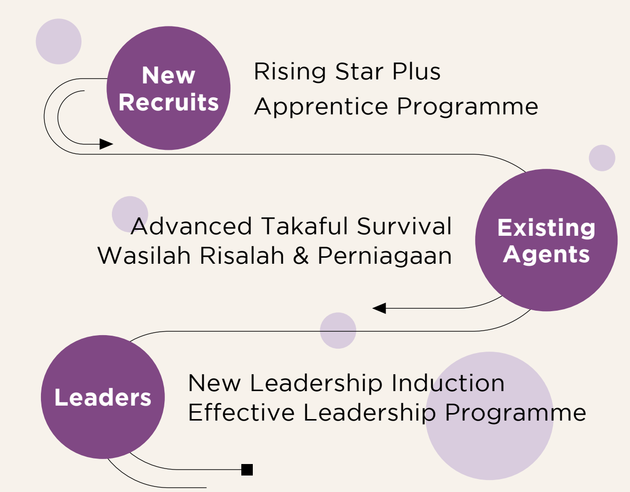
The webinars and training sessions were attended by both local and international participants. In FY2023, a total of 659 participants from the industry benefitted from these programmes.

### Intermediary Enrichment

We continuously train our Takaful IKHLAS agents and other intermediaries in sales techniques and product knowledge. Our agents go through a variety of competency training sessions to improve their business strategy and management.

At Takaful IKHLAS Family, managing the training needs of agents is the responsibility of the in-house training division, IKHLAS Academy. The academy has developed a customised Agency Training Roadmap for our intermediaries.

Dedicated Agency Training Roadmap




The IKHLAS e-Academy continues to provide e-training and management to the Family Takaful agency force. The training management system was made available to enable agents to attend our online training, manage training schedules and prepare reports and analyses. We foresee that this will increase the percentage of our agents who have completed the Continuing Professional Development ("CPD") hours and compulsory training, as required by the MTA.

Takaful IKHLAS provides our agents with knowledge of general advising principles, contract documentation, underwriting information disclosure and ethical market conduct. It also runs development programme such as 'New Aspiring Leaders', to build future Family Takaful business leaders.

In addition, we strive to ensure that our agents always adhere to the industry's Agency Code of Ethics, Shariah principles, and regulators' requirements. Among the regulatory trainings provided to Agents are as follows:

### Regulatory Training for Agents

- Anti-Money Laundering and Anti-Terrorism Financing Act
- Personal Data Protection ("PDP") and Management of Customer Information and Permitted Disclosure ("MCIPD")
- Etika Perniagaan Yang Di Larang
- Group Anti-Bribery and Corruption Policy
- Shariah Requirements for Takaful
- MACC Section 17A
- Group Code of Ethics and Whistleblowing Policy

### Giving Back to Society

The MNRB Group aspires to create impactful initiatives benefitting society through sound governance and prudent fund management. We embrace the value of giving as a potent force for promoting positive values and nurturing a sense of connection and community among individuals and society.

By participating in our takaful funds, an individual is not only preparing to protect his financial standing in the event of unforeseen events, but also seizing an opportunity to give back to society by assisting those in need. Even if you do not require such protection, you could demonstrate altruism by contributing to the fund that pays out claims to those affected by adverse events. Even if you do not have much to give, your contribution enables you to fulfil your social responsibility and goes a long way in helping those in need.

### IKHLAS Barakah House

In relation to this, we have established the IKHLAS Barakah House or IBH, a Shariah-compliant platform for pooling funds from a variety of sources prior to their distribution in accordance with Shariah-compliant procedures. IBH programmes and projects are centred on the five (5) primary pillars of health, education, community enrichment, economic empowerment, and the environment.

The IBH was established in line with Value-Based Intermediation for Takaful or VBIT. The goal is to deliver positive and lasting impact through good governance and prudent fund management in support of socially beneficial projects. IBH distribution priority areas include:

- **Health**: Access to healthcare treatment and services
- **Education**: Access to a good education.
- **Community enrichment**: Access to a better quality of living.
- **Economic empowerment**: Access to economic empowerment training and growth.
- **Environment**: Access to preserved natural resources and energy from renewable sources.

IBH funds are derived from a variety of sources, including:

- **Charity Fund**: Consists of surplus distribution funds, IKHLAS Rider contributions, and contributions from employees and the public for charitable purposes.
- **Zakat Wakalah**: The delegation of authority to zakat payers to distribute zakat money to qualified asnaf groups through refund of the zakat amount paid, based on specified conditions. It comprises of the Zakat Wakalah amounts payable by the TIFB, TIGB, and MNRB.
- **IWE Handover**: Takaful IKHLAS offers a further advantage to individual participants of a general takaful plan called IKHLAS Waqf & Endowment ("IWE"). The IWE distribution will go to beneficiaries or initiatives with Waqaf or endowment purposes.

**IBH Distribution in FY2023**

**Education**

- BUDI-IKHLAS MARA for fifty (50) MRSM pupils chosen from B40 families.
- Sponsorship Programme for APIUM student.
- Financial Assistance for school upgrading at SK Danau Kota 2 and SMKA Kuala Selangor.
- Financial Assistance to SK Saujana Utama for the Marquee Tent.
- UM Research Grant on Takaful's Potential for Halal Food and Beverage Industry Sustainability.
- Financial Assistance for Surau and Library upgrading for SK Chuah.

**Community Enrichment**

- Financial Assistance for redevelopment of Surau Hj Ambia Kg Selemak, Bongek.

**IBH Distribution in FY2023**

**Economic empowerment**

- UniSZA Research Grant for Crowdfunding-Waqaf Takaful Micro Crop Development.
- Protégé - To support the government's mission of developing the potential of youth.

**Environment**

- UKM Geophysics Exploration and Implementation of Tube Well and Water Treatment System.

### IKHLAS Waqf & Endowment

The IWE programme offers complimentary Waqf and endowment benefits to all individual participants of our general takaful plans. Upon the participant's accidental demise, the IWE benefits in the participant's name, will be distributed to the relevant Waqf or endowment recipients.

Since its inception in April 2019, the IWE programme has donated RM24,000 to three (3) Waqf and endowment organisations on behalf of twenty (20) of our participants.

| Year | No. of Eligible Certificates | No. of Beneficiaries (IWE Distribution) | Amount of IWE Benefit |
|---|---|---|---|
| FY2020 | 699,621 | 3 | RM3,000 |
| FY2021 | 1,535,411 | 6 | RM8,000 |
| FY2022 | 2,430,172 | 11 | RM13,000 |
| FY2023 | 3,683,164 | 25 | RM25,000 |
| **Total** | **8,348,368** | **45** | **RM49,000** |

| Initiatives |
|---|
| A total of RM3,000 was paid to UM AWQAF in December 2019 for three (3) participants. |
| Another RM8,000 was distributed to Hospital Canselor Tuanku Muhriz UKM in December 2020 for six (6) participants (two of them had two certificates each). |
| On 20 September 2021, some RM13,000 was distributed to Hospital Ampang Kuala Lumpur as part of donations of health equipment/ necessities for COVID-19 treatment purposes. This distribution involved thirteen (13) certificates with eleven (11) participants. |

### IKHLAS Waqf Facility

The Takaful IKHLAS Waqf facility was established to facilitate the settlement of Family Takaful death benefits designated for Waqf. For the settlements, we currently have agreements with Waqf institutions such as Perbadanan Wakaf Selangor, Yayasan Wakaf Malaysia, and JCorp Waqaf Annur. Over FY2023, several new collaborations were made with Majlis Agama Islam Negeri Sembilan, Majlis Agama Islam Perak and Majlis Agama Islam Negeri Pulau Pinang.

### Corporate Responsibility Programmes

The MNRB Group continues to prioritise education in its corporate responsibility initiatives. We believe that education has the transformative potential to sustainably strengthen communities and build their resilience. Our corporate responsibility initiatives aim to improve the quality of life for unserved and underserved communities while promoting the social inclusion of all communities.

In FY2023, the MNRB Group contributed RM2.3 million towards its CSR programmes.

### MNRB Scholarship Fund

The MNRB Scholarship Fund seeks to contribute to the growth of the Malaysian insurance and takaful industries by providing promising students with access to quality education, thereby fostering the development of insurance and takaful professionals of the highest calibre.

The identified areas of study include actuarial science, insurance and risk management, accounting/ACCA, Shariah, and information technology.

Since the MNRB Scholarship Fund's inception in 1998, a total of more than RM18.6 million has been invested in this initiative.

### Minggu Saham Amanah Malaysia

Minggu Saham Amanah Malaysia or MSAM is an annual investment education programme organised by PNB to raise Malaysians' awareness of the significance of investment and financial planning. Since the event's inception in 2000, the MNRB Group has been one of its partners and has supported its goals through financial literacy and corporate social responsibility initiatives.

Due to the COVID-19 pandemic in 2020 and 2021, MSAM was rebranded with a digital adaptation, Minggu Saham Digital ("MSD"). Through online engagement activities, the MNRB Group continued our participation in MSD and highlighted the significance of takaful protection.

As Malaysia entered the endemic phase in 2022, MSAM 2022 was held on-site under the theme 'Melestarikan Pelaburan Ke Arah Masa Hadapan Mampan' (Sustainable Investment towards a Net Zero Future).

As part of MNRB's endeavour to support MSAM's goal, the Group organised two (2) CSR programmes:

a) 'MNRB Bijak Menabung': A part of MNRB's CSR efforts which aims to encourage primary school students to cultivate a culture of savings from a young age through fun and exciting games and activities.
b) MNRB Ringgit Savvy: Aims to educate and inculcate interest in financial literacy among secondary school students. This programme provides early exposure to students on matters related to financial management, including investment, takaful protection, and other financial responsibilities.

| Disbursement of Business Zakat | |
|---|---|
| **Zakat Majlis Agama Islam Negeri Sembilan ("MAINS")**<br>**26 November 2022** | Takaful IKHLAS Family, on 26 November 2022, presented business zakat amounting **RM92,575.60**, at a handover ceremony held during the MSAM2022 in Port Dickson, Negeri Sembilan. |
| **PPZ-MAIWP**<br>**22 December 2022** | Takaful IKHLAS General and Takaful IKHLAS Family, on 22 December 2022, presented business zakat amounting to RM185,556.60 and **RM261,278.40**, respectively, at a handover ceremony held in Kuala Lumpur. |
| **Majlis Agama Islam dan Adat Melayu Terengganu ("MAIDAM")**<br>**28 December 2022** | Takaful IKHLAS General, on 28 December 2022, presented business zakat amounting to **RM174,185.60** to MAIDAM at a handover ceremony held in Kuala Terengganu. |
| **Zakat Melaka**<br>**3 February 2023** | Takaful IKHLAS Family, on 3 February 2023, presented business zakat to Zakat Melaka in a ceremony held at Zakat Melaka's headquarters amounting to **RM123,704.40**. |
| **Ramadan Aid to Asnaf in Kelantan**<br>**27 March 2022** | Takaful IKHLAS General, in collaboration with Majlis Orang-Orang Besar Diraja Kelantan, organised a Ramadan assistance programme for selected asnaf in the state of Kelantan.<br><br>Through this programme, Takaful IKHLAS General contributed **RM40,000** from its zakat wakalah to help 150 less fortunate families in ten (10) selected areas in Kelantan to prepare for their needs during the fasting month. |







## ⑥ Responsible Products and Services

In keeping with our vision of '**We Protect Everyone**', MNRB Group continues to provide takaful, reinsurance and retakaful solutions that protect our customers against emerging economic, environmental, and social risks.

From a sustainability standpoint, we emphasise financial protection of all our customers including the underserved and unserved groups. We identify responsible products and services as takaful, reinsurance, and retakaful solutions that effectively address our stakeholders' economic, environmental, and social challenges.

### Responsible Products

Our Underwriting Guidelines and Product Management Framework serve as standards for the design and development of our products and services, including those that address the economic and environmental impact on various stakeholders, including the underserved and unserved segments of the population.

While our Product Pricing Policy provides a comprehensive guideline to ensure that the pricing of our products is fair to our participants, it also considers any changes in actual exposure and experience.

We monitor the actual experience of the takaful funds by assessing its Tabarru' Utilisation Ratio ("TUR"), which reflects the utilisation of the funds towards the settlement of claims and benefits. The TUR indicates that the pricing of products commensurate to the risks borne by the pool of participants in the takaful funds, while ensuring the solvency and sustainability of funds to continuously serve participants in times of need.

Takaful IKHLAS provides a wide variety of family and general takaful products through a network of highly informed and well-trained agents, brokers, financial institutions, franchise holders, and cooperatives. Our representatives uphold high moral and ethical standards. This encourages honesty and accountability as reflected in the manner in which our people keep their promises and remain committed to fulfilling their responsibilities.

Our FY2023 efforts to provide responsible products included RM1.84 million in takaful contributions towards IKHLAS Perlindungan Tenang Takaful products designed for underserved communities.

| Affordable Takaful Products | |
|---|---|
| ***Agro Madani*** | Affordable Group Term Takaful ("GTT") and Group Personal Accident ("GPA"), specifically for Agrobank customers. |
| ***Takaful Prihatin*** | Affordable GTT for business owners. |
| ***Takaful Amani Plus*** | Affordable GTT and GPA, specifically for Bank Rakyat customers. |
| ***IKHLAS Basic Term Takaful*** | Affordable Term Takaful. |
| ***IKHLAS Value Term Takaful*** | Affordable Term Takaful. |
| ***IKHLAS Basic Critical Illness Takaful*** | Basic critical illness coverage. |
| ***IKHLAS Basic Hospital Income Benefit Takaful*** | Basic hospital income benefit. |

SUSTAINABILITY STATEMENT

| Affordable Takaful Products | |
|---|---|
| ***IKHLAS Motor Comprehensive Plus Takaful*** | An affordable and comprehensive motor takaful plan. |
| ***IKHLAS Home Protect Takaful*** | Affordable and comprehensive coverage designed for homeowners. |
| ***IKHLAS Ilhamku*** | Provides protection in the event of death to the person covered before the certificate matures. |
| ***M-Kasih Keyman*** | Provides a protection plan introduced exclusively for customers of Bank Muamalat. |

| Products for Specialised Communities | |
|---|---|
| ***Agro Mabrur-i*** | A GTT product that provides coverage for the underserved segment qualified under Perlindungan Tenang. |
| ***IKHLAS Bus Safe Ride*** | Provides travel protection for bus passengers during their journey. |
| ***Agro Nurani*** | GTT and GPA products that provide coverage for disabled individuals registered with the Social Welfare Department. |
| ***IKHLAS PTP Plus Takaful*** | Private car comprehensive coverage specially designed for Perodua vehicles. |
| ***IKHLAS Wanita Elegance Takaful*** | A protection and financial assistance plan designed specifically for female illnesses and cancers, including childbearing risks. |
| ***Long-Term Houseowner Plan for Government Employees*** | A plan that protects government employees' residential properties during periods of financing. |
| ***Long-Term Fire Plan for Government Employees*** | A plan exclusively designed for civil servants in the public sector. |
| ***Takaful Kasih Plus*** | Affordable Personal Accident coverage designed for Agrobank customers. |
| ***IKHLAS E-Hailing Takaful*** | Provides motor vehicle coverage for e-hailing drivers. |
| ***IKHLAS Bersama*** | Provides a comprehensive protection plan. |
| ***IKHLAS Dariku*** | Provides a comprehensive hibah plan. |
| ***IKHLAS Masjid Protect Takaful*** | Provides protection to mosques and suraus. |
| ***IKHLAS SME Protect*** | Provides crucial protection for small and medium enterprises. Not only does it help protect business assets, but it also provides a financial safety net. |
| ***Halal Care*** | Provides protection for halal products. |

| Products for Underserved Communities | |
|---|---|
| ***IKHLAS Perlindungan Tenang Takaful*** | A GTT product that provides coverage for the underserved segment qualified under Perlindungan Tenang. |

| Products to Address Climate-Related Risks | |
|---|---|
| ***Property & Engineering Reinsurance (Treaty & Facultative)*** | Reinsurance that protects property against natural disaster risks. |

## Responsible Services

Takaful IKHLAS continues to offer our value-based IKHLAS Waqf & Endowment or IWE initiative for the community. The IWE provides complimentary Waqf and endowment benefits to individuals who participate in any of our general takaful plans. The IWE allocates RM1,000 for each general takaful certificate for subsequent donation to Waqf and endowment, under the participant's name, upon their accidental demise.

The IWE significantly benefits the community and reflects good deeds of the named participants. It is a component of Takaful IKHLAS' Shariah-compliant fundraising platform, IKHLAS Barakah House or IBH, which seeks to contribute to a positive and sustainable community through five main pillars – education, healthcare, economic empowerment, community enrichment and the environment.

All individual participants of our general takaful plans will receive a complementary Waqf and endowment benefit. As of March 2023, a total of 3,683,164 individual certificates were eligible for IWE benefits.

Takaful IKHLAS also continues to offer a 2.5% Green Energy Incentive on eligible general takaful risks in accordance with the Underwriting Guidelines, in an effort to support initiatives aimed at tackling the issue of climate-related risks and their impact on environmental sustainability. From an underwriting standpoint, we anticipate that this move will contribute to mitigating the effects of climate change.

Malaysian Re, our reinsurance and retakaful arm, is expanding its support (capacity) for green initiatives, such as the ASEAN Green Pool initiative. The initiative, led by Malaysian Re, will provide insurance and takaful capacity and support for renewable energy products in ASEAN, with an emphasis on solar and wind energy.

Malaysian Re has also integrated its licenced AIR Catastrophe Modelling Tool into its underwriting, risk management, and claims estimation processes to support our corporate clients in assessing the likelihood of natural catastrophe events.

The MNRB Group aims to meet the demand for responsible products and services from our stakeholders, as this is essential to our long-term viability, competitive market position, and financial security. Overall, our business sustainability requires meaningful convergence between our long-term business interests and sustainability considerations.

Our reputation is founded on the trust that our stakeholders have in us. This depends heavily on the quality and credibility of our products and services, the advice and recommendations we provide to our customers, and the personal conduct and competence of our intermediaries. We continuously ensure that our products and services are promoted responsibly and that our customers are given the right advice and information regarding the coverage that best suits their needs.

## Customer Experience

Providing exceptional customer experiences are key to our business growth and long-term sustainability. We spend much effort to remain responsible and responsive in providing servicing platforms that serve as customer touchpoints. These aim to meet the specific needs of our customers, including increasing the value of the products and services that we offer. Continuous improvements will be undertaken to ensure that all consumers receive an exceptional customer experience.

Providing an exceptional customer experience is critical to the long-term development of the Group and our sustainable growth. We make a significant effort to remain responsive and accountable in providing efficient servicing platforms that serve as effective customer touchpoints to meet our customers' specific needs. We are deeply committed to making continuous improvements – including increasing the value of the products and services that we offer – to ensure that all our customers have delightful and memorable experiences when dealing with us.

**Customer Touchpoints**

Our Customer Experience Management ("CXM") Department at Takaful IKHLAS and Customer Relationship Department at Malaysian Re are exuberant in providing excellent customer experiences, which we deem a crucial business factor.

Since its implementation a few years ago, the Customer Relationship Management ("CRM") system at Malaysian Re has enabled the company to centralise its management of customer information and monitor customer relationship interactions. It fosters strong relationships with customers and a greater understanding of their requirements.

Takaful IKHLAS is prepared to offer its consumers an exceptional experience, which will be managed by a CRM Suite as an omni-channel platform for customer engagement at key touchpoints. Continuous engagement with consumers and stakeholders, will allow us to better understand their expectations and improve the customer experience.

We strive to perform beyond our Customer Service Charter, which serves as a key guide for fostering lifelong relationships with consumers through positive customer experiences. As part of our diligent observance of the Fair Treatment of Finance Consumers, we make every effort to provide the necessary updates in response to inquiries and to resolve complaints within our target turnaround time.

We have continued to incorporate our customers' feedback relating to the enhancement of our offerings to provide solutions that satisfy their requirements based on the Customer Experience Framework. We believe that providing a seamless customer experience will be the primary impetus to drive customer loyalty.

**Customer Experience Measure**

A key performance indicator based on the Net Promoter Score ("NPS") has been incorporated to measure our customer experience and loyalty at specific touchpoints, based on our customers' propensity to recommend Takaful IKHLAS to others. As of March 2022, the NPS was being measured quarterly at our critical customer touchpoints namely, branches and claims. Subsequently, the NPS has been expanded to additional touchpoints to increase the number of respondents and improve the credibility of the results.

For FY2023, the NPS has been deployed at the following customer touchpoints:

| | Touchpoint | Deployment |
|---|---|---|
| 1. | Branches | March 2022 |
| 2. | Claims | March 2022 |
| 3. | Salam IKHLAS - Direct business acquisition via e-mail | September 2022 |
| 4. | Go Direct - Direct online transactional portal | October 2022 |
| 5. | IKHLASCare - Contact Centre email channel | November 2022 |



SUSTAINABILITY STATEMENT

The FY2023 NPS KPI target and results are as follows:

| Company | KPI | Target FY2023 | Actual FY2023 |
|---|---|---|---|
| TIFB | Net Promoter Score (NPS) | 40 | 63 |
| TIGB | Net Promoter Score (NPS) | 40 | 61 |

**Customer Fulfilment**

The following table summarises Takaful IKHLAS's performance outcomes pertaining to the quality of our customer service over the three-year financial period from FY2021 to FY2023.

| Company | Actual Turnaround Time ("TAT") | | | Corrective Measures Taken | | | Remarks |
|---|---|---|---|---|---|---|---|
| | FY2021 | FY2022 | FY2023 | FY2021 | FY2022 | FY2023 | |
| TIFB | 14 Days | 14 Days | 14 Days | 14 Days | 13 Days | 12 Days | Consistent monitoring and follow-up with complaint handlers contributed towards shorter resolution time. |
| TIGB | 14 Days | 14 Days | 2 Days | 4 Days | 4 Days | 2 Days | |

The following table summarises the number of customer complaints received and resolved by Takaful IKHLAS during the three-year financial period from FY2021 to FY2023.

| Company | Number of Complaints Received | | | Number of Complaints Resolved | | | Remarks |
|---|---|---|---|---|---|---|---|
| | FY2021 | FY2022 | FY2023 | FY2021 | FY2022 | FY2023 | |
| TIFB | 143 | 62 | 34 | 100% resolved | 100% resolved | 100% resolved | There was a significant reduction in the number of complaints cases in FY2022 as the result of an improved complaints handling process and close monitoring by the oversight team and Senior Management. |
| TIGB | 61 | 29 | 51 | 100% resolved | 100% resolved | 100% resolved | There was a significant increase in the number of complaints cases relating to motor claims in FY2023. These included delays in processing claims, delays in payment, lack of updates and feedback to customers. Complaints cases were resolved continuously under consistent monitoring by the oversight team and Senior Management. |

*Note: Customer complaints were recorded during the reporting period and resolved within the TAT.*

As part of our commitment to providing reliable and accessible products and services, we place a strong emphasis on customer-centricity. MNRB has formalised a CXM department to serve both Takaful IKHLAS Family and General consumers, under the Takaful IKHLAS brand. This is further evidenced by the implementation of key NPS touchpoints, such as branches.

The Group's management is strongly committed to ensuring the availability of the appropriate platforms and tools to better serve customers and the implementation of CRM Suite is rolled out by July 2023. Another initiative on the omni self-service customer portal will soon enable consumers to self-serve on products and services. The portal to serve all Takaful IKHLAS' customers is anticipated to go live by the end of FY2024.

**Customer Platforms**

Takaful IKHLAS continues to engage with customers and the general public, primarily through frequent updates on our enhanced website and social media platforms. These platforms also provide public announcements on safety, health, and well-being promotions, as well as customer touchpoints and support, to motivate customers to conduct online transactions.

Takaful IKHLAS Family continues to offer its participants Online Customer Account ("OCA") services, allowing them to view their certificate information at their convenience. The OCA includes Investment-Linked Takaful Statements that are available online, for reference or inquiry.

As we improve our web functionality, we are expanding our customer reach and enabling a more seamless and efficient customer journey. These are part of our efforts to provide improved customer experiences. It is evidenced by the launch of our I.V.A. Chatbot and the implementation of the GO Serve self-service claims portal. CXM will continue to interact with all stakeholders to ensure that customer expectations on self-service platforms are met, through the customer journey mapping process.

Throughout FY2023, Takaful IKHLAS customers continued to have their flood claims paid within three (3) days by the appointed claim adjusters through the Virtual Interactive Process ("VIP"). The VIP enables virtual assessment of claims for House Owners/ Householders and Home Protect Takaful certificates. Within 24 hours of a notification, an adjuster is assigned and a claim assessment is made. Immediate approval is granted for claims up to RM10,000 in that time.

We further extended our assistance to customers devastated by the flood through the Bantuan IKHLAS Supreme ("BIS") programme. Customers who have subscribed to the BIS programme are eligible to receive an RM500 Inconvenience Allowance for flood-related vehicle damage.

In the midst of the adversity and distress following natural disasters, our fast and fair claims services are able to accord our customers much welcome financial relief.

**Value-Based Collaboration**

As we harness new technologies, the Group acknowledges value-based collaboration through strategic partnerships with our brokers, cedants, intermediaries, and service providers, including insurtech partners. We leverage our relationships with industry players by actively participating in focus group discussions and activities organised by trade associations such as Persatuan Insurans Am Malaysia ("PIAM"), the Life Insurance Association of Malaysia ("LIAM"), and the Malaysian Takaful Association ("MTA").

The need for new ideas, skills, and opportunities has become more evident in light of the quickly evolving and competitive environment. We believe that consistent and effective communication and collaboration with our stakeholders will continue to be critical for the purposes of value creation and innovation.

Further collaboration with other strategic partners may be undertaken to expand our contribution as a value-driven solution provider to our stakeholders, especially in promoting our sustainability value perspective. We are still optimistic about improving our products and services, while looking forward to the return of a more stable market environment.

We will continue to educate the public on the significance of takaful and reach out to a broader segment of the population through constant engagements on digital and technological platforms. In addition to bridging the divide between the Group and the general public, digitalisation will reduce our carbon footprint and promote environmental sustainability while we continue to operate our business.







# ADVANCING A GOOD GOVERNANCE CULTURE

## 7 Sustainability Governance

**Effective Sustainability Governance**

The MNRB Group aims to strengthen effective ESG governance in light of the growing concern for sustainability, particularly climate-related risks, in the industry. The Group has recently enhanced the Terms of Reference ("TOR") of the RMCB and GMRCC to be consistent with our sustainability strategies.

We are committed to integrating sustainability practices into our business decision-making and strategy planning. As part of our commitment to effective sustainability management, the Group Risk Management function has incorporated ESG Risks into the Group Risk Landscape of Group Risk Management Framework and Policy to accommodate the dynamic nature of ESG-related matters.

**TCFD-aligned Disclosure**

The MNRB Group endeavours to provide transparent regulatory and market-aligned disclosures. During FY2023, the Group engaged an external consultant to conduct an independent review of our sustainability management and identify gaps in our Sustainability Roadmap based on regulatory guidelines and requirements. We will continue to enhance and strengthen our sustainability efforts, governance and disclosure following the identification of key improvement areas.

As part of improvement efforts, the Group Risk Management function plans to integrate principles and guideline of climate-related risk management into the risk framework and related policies, based on regulatory and industry guidelines and requirements such as the TCFD Application Guide and Policy Document on Climate Risk Management and Scenario Analysis. This seeks to implement a robust risk management framework within the Group to address the growing threat of climate risks and provide a TCFD-aligned disclosure.

**Awareness and Advocacy**

The MNRB Group provides regular training to all staff throughout the organisation up to the Board level. One of the ESG Implementation Teams is in charge of advancing sustainability awareness and communication for the MNRB Group. The team's objective is to establish and implement awareness and capacity-building programmes for the Board, management, and staff across the Group. During FY2023, Board members participated in training on sustainability-related topics to enhance their knowledge and awareness of sustainability management. In addition, the Group has engaged an external expert to train and educate all staff on sustainability.

Moving forward, the ESG Implementation Team will collaborate with the Group Human Capital Management Department to plan activities and training focusing on sustainability and climate related matters to increase our employees and the Board's awareness and knowledge. As part of our efforts to build capability and reach our sustainability objectives, we continue to send representatives to various training, forums and courses.

For the other stakeholders, such as the Group's suppliers and vendors, we intend to integrate sustainability-related criteria in the supplier selection and assessment process. This will be accomplished by enhancing our Group Procurement Policy. This will allow us to better manage potential sustainability risks while simultaneously advocating sustainability practices across our supply chain.

## 8 Ethical Business Practices

The MNRB Group follows stringent rules for conducting business in accordance with ethical standards and relevant regulatory requirements. In all our dealings, MNRB upholds the values of integrity, collaboration, and expertise, thereby protecting the interests of our stakeholders. Internal policies and procedures addressing bribery, corruption, and money laundering are conveyed to all employees on a regular basis. By adopting these policies and procedures, we strive to ensure that the Group and our employees continually conduct business in an ethical and faithful manner.

According to Section 17A of the Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018, as well as the Companies Act 2016 and the Malaysian Code on Corporate Governance ("MCCG") 2021, there is a growing demand for strengthened board oversight and the integration of sustainability considerations into company strategy and operations. To safeguard our businesses and ensure all commercial activities are carried out in an environment that is free of infringement, the Group continues to serve the best interests of our stakeholders through good governance and anti-bribery and corruption conduct.

### MNRB Group Code of Ethics

The Group Code of Ethics ("the Code") is essential for preserving and enhancing confidence in MNRB. The Code provides general guidance on the Group's underlying policies and procedures as well as specific ethical and legal guidance to assist the Group in making business decisions in a professional, prudent, and lawful manner. The Code is based on the Group's guiding principles, which include the foundations of how we do business as a Group, the Group's stance against corruption, dealings with stakeholders, as well as personal responsibility and guidance. This Code applies to all MNRB Group employees.

### MNRB Group Whistleblowing Policy

The Group is dedicated to conducting its business with the highest standards of professionalism, honesty, integrity, and ethics. Accordingly, the Group has established a Whistleblowing Policy to provide a secure and confidential avenue for directors, employees, and other parties to raise concerns about any unacceptable practice or improper conduct without fear of adverse action or unfair treatment.









Disclosure of improper conduct must be made in writing via email or letter to the following persons, as listed below:

**Disclosure Matrix for Whistleblowing**

| Person Being Reported | Person to whom the report is directed to | |
|---|---|---|
| | via Email | Via Alternative Channels |
| **Category 1:**<br><br>**Any member of the Board of Directors including the Chairman of the Board or any Shariah Committee Members** | Chairman of the Audit Committee: disclosure1@mnrb.com.my | Telephone Call:<br>Integrity Unit +603-2096 8174<br><br>In Person:<br>A person who wishes to whistle blow may come in person to meet the Whistleblowing Secretariat, MNRB Management team, or MNRB Group Management team, or any Board of Directors. |
| **Category 2:**<br><br>**Chairman of the Audit Committee or President & Group CEO** | Chairman of the Board: disclosure2@mnrb.com.my | |
| **Category 3:**<br><br>**President and CEOs, Senior Management, Employees or Other Parties** | Chairman of the Board, Chairman of the Audit Committee and President & Group CEO: disclosure3@mnrb.com.my | |

### Group Anti-Bribery and Corruption Policy

In promoting ethical business practices, the MNRB Group is committed to establishing and implementing policies and procedures that will support its business operations and assist associated persons to understand their responsibilities in upholding the Group's corporate integrity and reputation. The Group has a zero-tolerance policy toward all kinds of bribery and corruption.

Employees and members of the Board, including Shariah Committee members, are expected to follow all local anti-bribery and anti-corruption legislations as well as to remain vigilant against any wrongdoing, malpractice, or irregularities in the workplace. Every employee and director must annually declare his or her commitment to fighting bribery and corruption.

The Group's bribery prevention and mitigation is managed by the Group Integrity and Governance Unit ("GIGU"), which fosters and upholds the principles and culture of anti-corruption, misuse of power, and malpractice. GIGU is assigned the duties and authority to oversee the Group Integrity Programme's implementation, with direct access to the Board and management for bribery and corruption issues.

### Anti-Money Laundering/Counter Financing of Terrorism

The MNRB Group is committed to the highest standards of compliance with Anti-Money Laundering and Counter Financing of Terrorism ("AMLCFT") regulations. Our AMLCFT Policy prohibits and actively prevents any activities that facilitate money laundering or the financing of terrorism ("ML/FT"). The Group continues to adopt and implement a continuous risk-based approach to identify, assess, and address its ML/FT risks.

The Group is fully committed to and strongly supports regulators' efforts in combating ML/FT. It is everyone's responsibility to report or be on alert for any sign of unusual transaction or behaviour involving ML/FT.

SUSTAINABILITY STATEMENT



### Shariah Governance Policy

The MNRB Group has established a Shariah Governance Policy specifically for our takaful and retakaful businesses, with the primary objective of strengthening the effectiveness of Shariah governance arrangements that are well integrated within our business and risk strategies. The Policy outlines Shariah as the overarching principle that stipulates the oversight, accountability, and responsibility of the Board, the Group Shariah Committee, and the management in the implementation of Shariah governance.

The Policy emphasises the importance of implementing control mechanisms in all aspects of our takaful business operations to ensure that all our activities are Shariah-compliant. This is illustrated by the implementation of the following essential functions:

**Shariah Risk Management Function**

Identifies, measures, monitors, and reports Shariah non-compliance risks in the operations, business affairs, and activities of the entities.

**Shariah Audit Function**

Provides an independent assessment of the entity's internal control and risk management systems and governance processes, as well as ensures overall Shariah compliance with regard to the entity's operations, business, affairs, and activities.

**Shariah Review function**

Conducts regular assessments of the compliance of the entity's operations, business, affairs, and activities in relation to Shariah requirements.

**Shariah and Business Advisory Department ("SBAD")**

SBAD, as the Shariah subject matter expert, shall provide Shariah advisory services to the respective business owners as the first line of defence in ensuring Shariah-compliant products, processes, services, and others, as well as assist business units in establishing Shariah compliance controls.

The SBAD is also in charge of Shariah training and awareness, as well as instilling and promoting Shariah-aligned behaviours in managing business, operations, affairs, and activities.

| Key Initiatives to Preserve Ethical Business Practices and Compliance | |
|---|---|
| **MNRB Group Code of Ethics** | The Code of Ethics stipulates, among others, that all staff must conform to the regulatory rules and regulations as well as the underlying Group internal policies and procedures. |
| **Compliance Reporting Process** | All compliance matters, including non-compliance issues, are to be reported to the Group Management Risk & Compliance Committee and subsequently to the respective Audit Committees. |
| **Group Whistleblowing Policy** | The Group Whistleblowing Policy provides an avenue for employees and members of the public to report any improper conduct in accordance with the policy's procedures. It protects employees and members of the public so that they can disclose such allegations without fear of reprisal. |
| **Group Anti-Bribery and Corruption Policy** | The Group Anti-Bribery and Corruption Policy expresses our dedication to bribery and corruption prevention. |
| **Anti-Money Laundering/ Counter Financing of Terrorism and Targeted Financial Sanctions ("AML/CFTTFS")** | Regular AML/CFTTFS awareness and refresher sessions are conducted for all employees and agents. These are offered to all employees via e-Learning modules and as part of the induction programme for new hires. |
| **AML/CFTTFS Screening** | AML/CFTTFS screening and monitoring is undertaken to safeguard the Group from any illegal activities and illicit fund flows. This is in line with BNM's Policy Document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions. |
| **Shariah Governance Policy** | This Policy ensures that the Group's operations and business activities adhere to Shariah principles, in accordance with the Shariah Governance Framework. The Policy specifies the oversight responsibilities of the Board, Group Shariah Committee, Management, and other functions responsible for Shariah governance. |

The following were among the governance-related training and awareness programmes conducted in FY2023:

| Month | Training/Awareness Activity |
|---|---|
| February 2022 | Induction Training – AML, Personal/Customer Data Protection (PDP/MCIPD), Whistleblowing Policy, Code of Ethics, MACC Section 17A and Group Anti Bribery Policy ("ABC") |
| March 2022 | TIGB Agents - AML, Personal/Customer Data Protection (PDP/MCIPD), Whistleblowing Policy, Code of Ethics, MACC Section 17A and Group ABC |
| | E-learning and Assessment PDP/MCIPD |
| June 2022 | E-Learning and Assessment on Group Code of Ethics and Whistleblowing Policy |
| | Briefing on Anti-Bribery and Corruption Self-Attestation |
| | Uniform Staff Training – AML, Personal/Customer Data Protection (PDP/MCIPD), Whistleblowing Policy, Code of Ethics, MACC Section 17A and Group ABC |

| Month | Training/Awareness Activity |
|---|---|
| July 2022 | Train the Trainer to TIGB Branch Managers - AML, Personal/Customer Data Protection (PDP/MCIPD), Whistleblowing Policy, Code of Ethics, MACC Section 17A and Group ABC |
| September 2022 | Induction Training - AML and Personal Data Protection ("PDP") and Management of Customer Information and Permitted Disclosure ("MCIPD") |
| | Agents ABC, WB and Code of Ethics Training |
| October 2022 | E-Learning and Assessment AML/CFTTFS |
| November 2022 | Induction Training - Integrity |
| December 2022 | ABC Awareness Workshop |
| February 2023 | E-learning and Assessment PDP/MCIPD |
| March 2023 | Induction Training – AML, Personal/Customer Data Protection (PDP/MCIPD), Whistleblowing Policy, Code of Ethics, MACC Section 17A and Group ABC |

### Key Oversight Functions

In accordance with the Group Enterprise Risk Management and Compliance Management Frameworks, the Group Compliance Management Department ("GCMD") and Group Management Risk & Compliance Committee or GMRCC, which serve as the MNRB Group's oversight functions, are responsible for ensuring the mitigation of financial and reputational risks resulting from regulatory non-compliance. Back in 2020, a Group Integrity & Governance Unit or the GIGU was established to detect and validate corruption-related incidents in order to strengthen integrity and governance within the Group.

The Group's adherence to Shariah principles is governed by the Shariah Governance Policy implemented by our Shariah and Business Advisory Department ("SBAD") and supervised by the Group Shariah Committee. The Policy was established to ensure that our takaful and retakaful business operations, affairs, and activities comply with Shariah requirements. The Shariah compliance and risk reviews are performed by the oversight functions, i.e., the Compliance Management and Risk Management departments, respectively, on top of the independent Shariah audit function.

The Group has implemented several additional mechanisms to ensure our operations are transparent and compliant. These include the dissemination of applicable regulatory guidelines to all management-level staff, awareness briefings on the latest regulatory developments, and attestation by the Heads of Departments via a compliance checklist for departmental self-assessment on processes and compliance monitoring mechanisms.

The Group remains committed to establishing trust and confidence and enabling shareholders to make informed investment decisions. On the MNRB Group Corporate website, we disclose relevant, impartial information, including the MNRB Group Corporate Governance Report. (www.mnrb.com.my).





## 9 Cybersecurity & Data Privacy

Cybersecurity and data privacy are fundamental to the MNRB Group's nature of business. In addressing the impact of cybersecurity and data privacy, we have benefited from a multifaceted approach and our ability to maintain, build, and deliver intended business outcomes in a sustainable manner. A properly sourced information security programme and governance that is integrated with the Group's risk effort, business continuity, and education programmes have proven beneficial.

An integrated effort is achieved by the implementation of these processes:

1. Keeping up with an all-inclusive set of cybersecurity and data privacy policies and standards, respecting the rights of all sorts of conduct codes for employee and non-employee system users.
2. Leveraging a full suite of technologies that adhere to the current operating/marketplace requirements. As we embrace changes in this connected world, we protect our information using multifactor authentication, firewalls, intrusion detection and prevention systems, to combat discrepancies that put people at risk.
3. Imparting continuous awareness-based training for employees on cybersecurity and data privacy covering a complete array of cyber resilience topics and communication channels.
4. Ensuring the overall apparatus to fulfil our purpose and the related technical abilities are strengthened. This enables us to respond promptly with effective measures and procedures that facilitate accurate resolution of computer security incidences.

### Cybersecurity

The sustainability of our business depends on the confidence of our stakeholders and our ability to maintain a secure and confidential environment. Through deliberate investments in IT infrastructure and employee awareness programmes, we are working diligently to improve our cybersecurity control measures.

Our employees receive ongoing cybersecurity training and awareness programmes that cover a wide variety of security topics, ranging from password protection, social engineering, privacy, and compliance. Our Weekly ICT Security Advisory programmes, for instance, provide all our employees with helpful IT and Cybersecurity advice.

SUSTAINABILITY STATEMENT



The Group has implemented an Annual Cyber Drill Exercise to test the effectiveness of the Group's Cyber Incident Response Plan ("CIRP"), based on various current and emerging threat scenarios, such as phishing, ransomware, and social engineering, with the participation of key stakeholders and the CERT team.

### Data Privacy

As personal data is of utmost importance to MNRB Group, we are committed to protecting the personal information of, among others, our customers, employees, candidates, corporate clients, and suppliers. To this end, we have established a Group Personal Data Protection Policy.

The Group respects everyone's rights and interests, and we will handle all personal data in an appropriate and lawful manner. Privacy Notices establishes the minimum compliance standards for collecting and processing personal data and provide consistent safeguards for the collection and use of personal data by the Group. Our Privacy Notices can be found on the websites of the respective operating entities.

We ensure that all personal data that we handle is collected, processed, and utilised in accordance with applicable laws and for the intended purpose. We take every necessary measure to ensure the accuracy, security, and confidentiality of stored personal data, and we retain it only for as long as is necessary to fulfil its business purpose. When transferring personal data to third parties, special care is taken to ensure an adequate level of protection.

The following are the Security Tools deployed to ensure Data Protection and Privacy:

- Hybrid Security Operations Centre ("SOC")
- Web Application Firewall ("WAF") and Load Balancer
- Multi-factor Authentication ("MFA")
- Distributed Denial of Services ("DDoS") Services
- Privileged Access Management
- Data Loss Prevention ("DLP") Solution
- Advanced Persistent Threat Solution
- Web Gateway
- Endpoint Protection Security Software Suite

## Looking Ahead

The MNRB Group had established a Group Sustainability Commitment with the objective of becoming a Net Zero Carbon Organisation by 2050. With this declaration, we will advance more rapidly on our journey towards sustainability and the management of associated risks and opportunities. In the near future, we will concentrate on implementing specific action plans to accomplish the Group's Sustainability Commitments for each Environment, Social, and Governance pillar.

### Environment: Transitioning to Green Economy

As we affirm our commitment to becoming a Net Zero Carbon organisation by 2050, we acknowledge that the issue of Climate Risk and Emissions Management ranks highest on our list of sustainability priorities. With this in mind, we intend to increase our efforts to reduce the carbon footprint of our business and operations.

Moving forward, we will operationalise our ESG Implementation plans and establish short, medium, and long-term goals with the appropriate metrics. These will include assessing, inventorying, and calculating our carbon footprint.

At the same time, we will strengthen our investment and business commitment to addressing environmental issues by promoting carbon-neutral and renewable energy developments. This will be done by increasing our capacity and product offerings to support the development of renewable energy (particularly wind, hydro, and solar energy), continuing our participation in the ASEAN Green Energy Pool, and expanding coverage of solar panels and electric vehicles.

### Social: Empowering Our People and Society

We endeavour to accelerate our employees' professional development and advancement by providing a positive work environment, competitive benefits, training and development programmes, as well as opportunities for career growth. Simultaneously, we will continue to invest in our employees' physical, emotional, and spiritual well-being through more engagement, awareness programmes, and interactive activities.

We also aspire to increase our social influence through initiatives that address the financial resiliency and long-term stability needs of communities. We intend to encourage employee volunteerism and participation in community activities in order to make a meaningful and positive impact on communities.

### Governance: Advancing a Good Governance Culture

We aim to continue advancing our governance culture to promote greater transparency, accountability, and ethical conduct, which in turn support our strategic goals and ensure that we continue to operate in an effective, efficient, and accountable manner.

Our efforts in the coming year will be focused on sustainability governance and the execution of our Sustainability Framework to ensure that our business and operations are carried out in a socially, economically, and environmentally responsible manner. This involves improving our disclosures and transparency, increasing our knowledge and advocacy efforts, as well as more effectively managing our supply chain.

Overall, we anticipate contributing to the Net Zero Carbon Organisation objective and fulfilling Maqasid Shariah in our efforts to protect the well-being of our people and our planet. We are confident that our rollout of sustainable practises will not only serve to protect the environment, but will also have a positive effect on the economy and society.

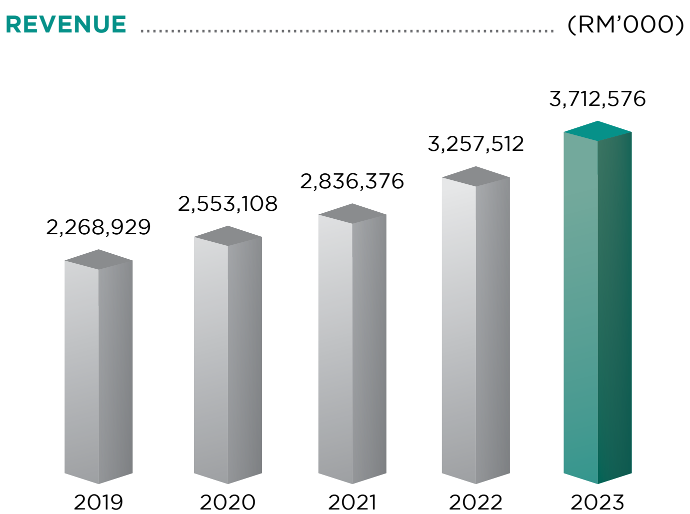
# FIVE-YEAR FINANCIAL HIGHLIGHTS

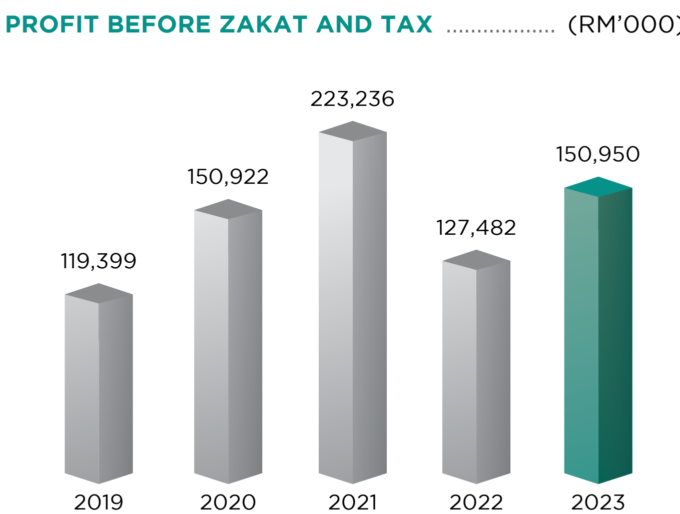
| | 2023 RM'000 | 2022 RM'000 | 2021 RM'000 | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|---|---|
| Revenue | **3,712,576** | 3,257,512 | 2,836,375 | 2,553,108 | 2,268,929 |
| Profit before zakat and tax | **150,950** | 127,482 | 223,236 | 150,922 | 119,399 |
| Profit after zakat and tax | **119,473** | 114,422 | 189,495 | 132,907 | 104,407 |
| Technical reserve | **7,339,692** | 6,534,786 | 5,883,755 | 5,345,745 | 4,950,037 |
| Total assets | **12,357,583** | 11,272,159 | 9,910,213 | 9,214,807 | 8,707,363 |
| Shareholders' fund | **2,582,573** | 2,471,674 | 2,418,320 | 2,271,787 | 2,119,652 |
| Share capital | **738,502** | 738,502 | 738,502 | 738,502 | 722,306 |
| Earnings per share (sen) | **15.3** | 14.6 | 24.2* | 17.2 | 20.3 |
| Net assets per share (RM) | **3.30** | 3.16 | 3.09* | 2.90 | 2.76 |
| Profit before zakat and tax to Shareholders' fund (%) | **5.84** | 5.16 | 9.23 | 6.64 | 5.63 |
| Profit after zakat and tax to Shareholders' fund (%) | **4.63** | 4.63 | 7.84 | 5.85 | 4.93 |

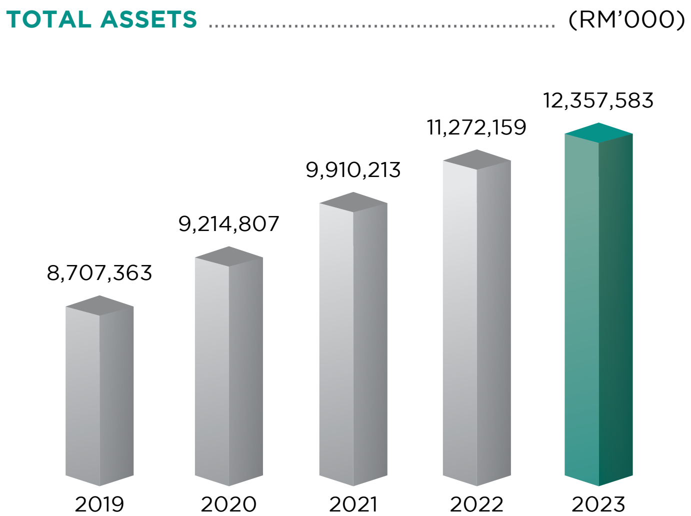
* on enlarged Share Capital persuant to the Dividend Reinvestment Plan ("DRP") exercise

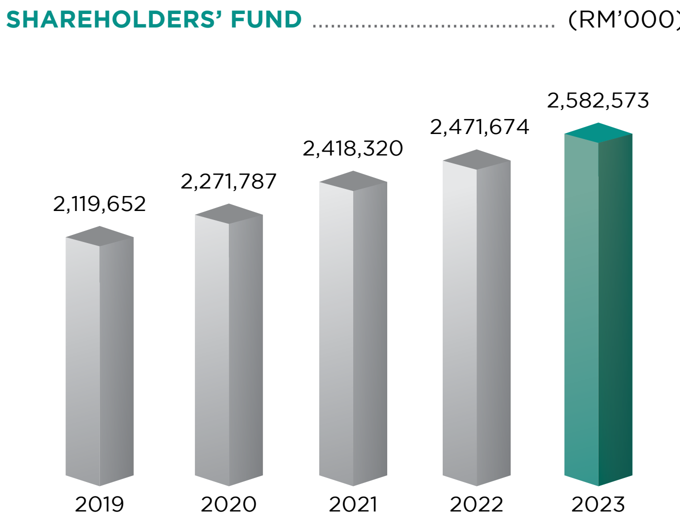


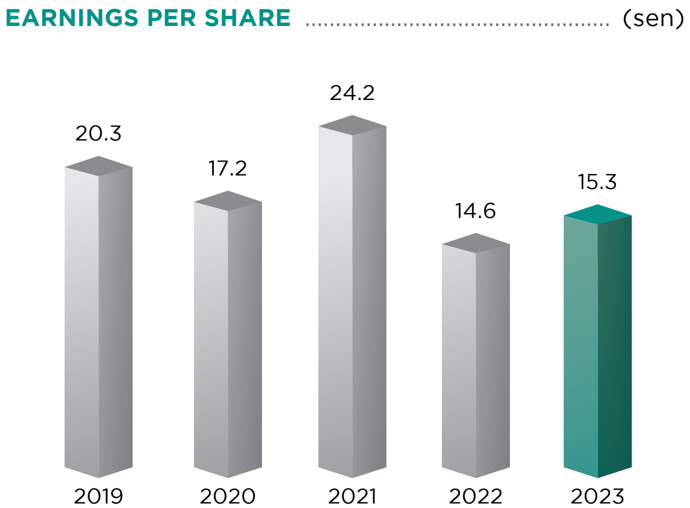
# FIVE-YEAR GROUP PERFORMANCE

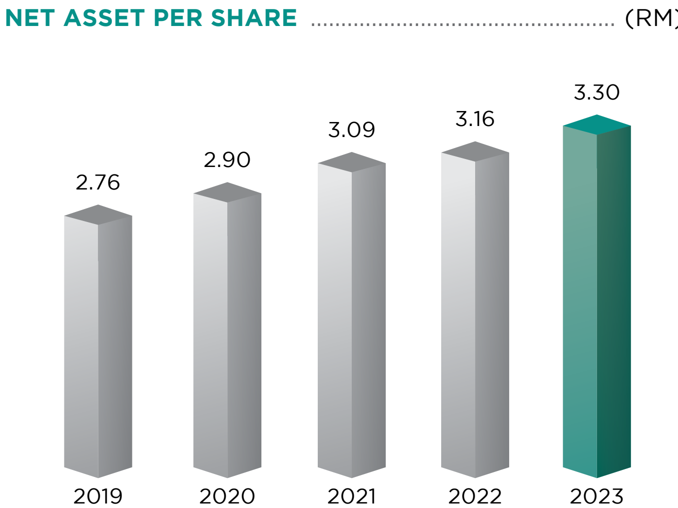


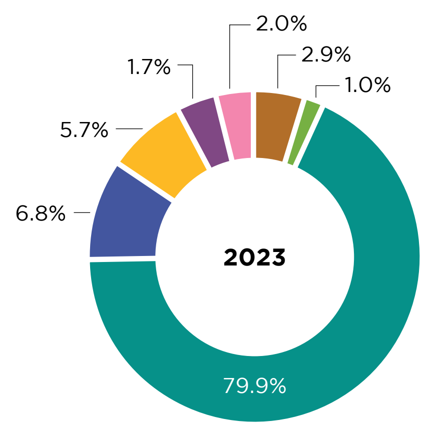



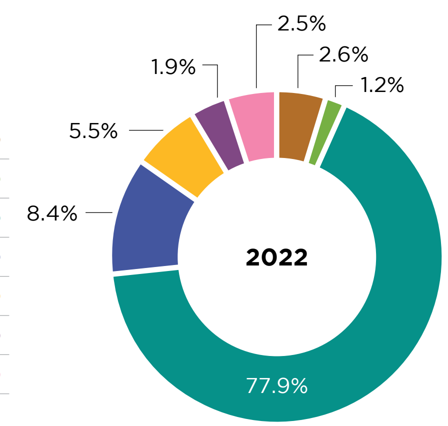



# SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

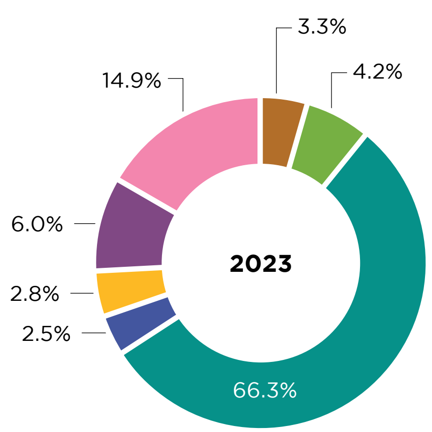
### ASSETS



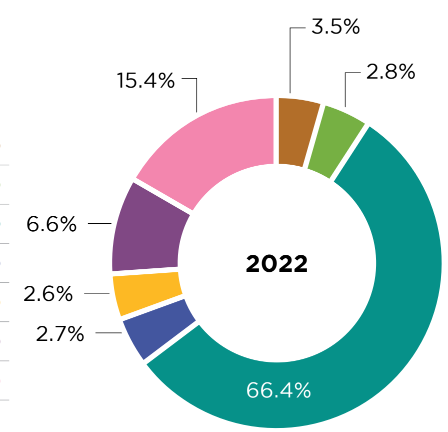

- Fixed Assets
- Investment in Associates
- Financial Assets and Deposits
- Reinsurance/Retakaful Assets
- Insurance/Takaful Receivables
- Cash and Bank Balances
- Other Assets




### LIABILITIES, PARTICIPANTS' FUND AND EQUITY

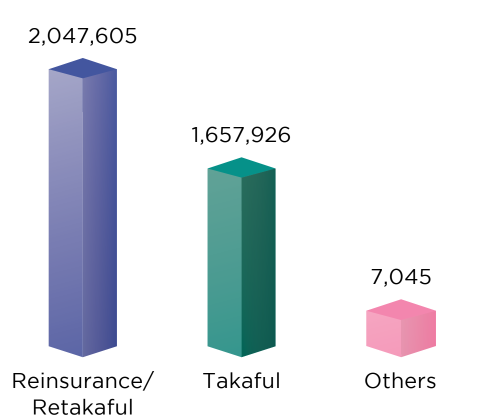



- Participants' Funds
- Borrowings
- Insurance/Takaful Contract Liabilities
- Insurance/Takaful Payables
- Other Liabilities
- Share Capital
- Reserves

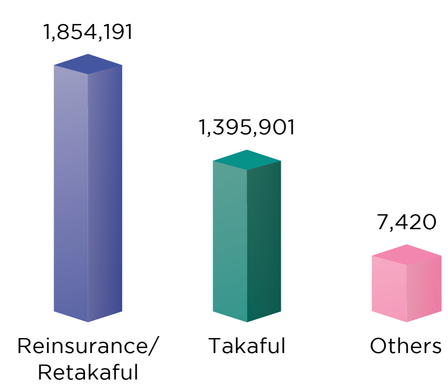



# GROUP OPERATING REVENUE

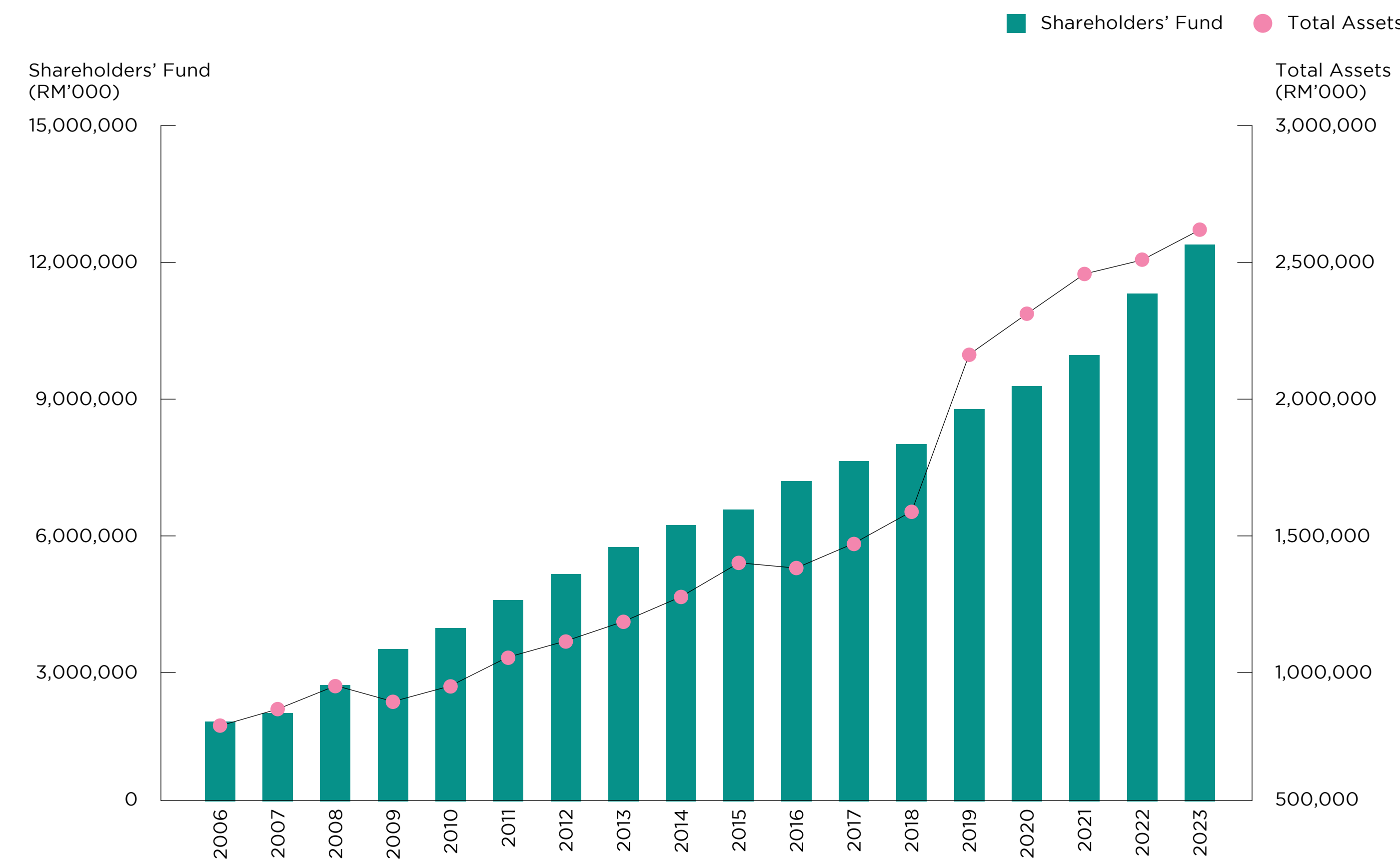
**31 MARCH 2023 (RM'000)**




**31 MARCH 2022 (RM'000)**




# GROUP'S GROWTH




| | Shareholders' Fund (RM'000) | Total Assets (RM'000) |
|---|---|---|
| 2006 | 747,803 | 1,772,311 |
| 2007 | 808,477 | 1,963,036 |
| 2008 | 893,919 | 2,576,247 |
| 2009 | 835,646 | 3,378,919 |
| 2010 | 892,513 | 3,845,983 |
| 2011 | 998,715 | 4,467,967 |
| 2012 | 1,058,488 | 5,048,449 |
| 2013 | 1,131,944 | 5,642,265 |
| 2014 | 1,223,469 | 6,136,512 |
| 2015 | 1,349,474 | 6,477,236 |
| 2016 | 1,330,180 | 7,107,720 |
| 2017 | 1,419,466 | 7,556,580 |
| 2018 | 1,538,001 | 7,935,000 |
| 2019 | 2,119,652 | 8,707,363 |
| 2020 | 2,271,787 | 9,214,807 |
| 2021 | 2,418,320 | 9,910,213 |
| 2022 | 2,471,674 | 11,272,159 |
| 2023 | 2,582,573 | 12,357,583 |

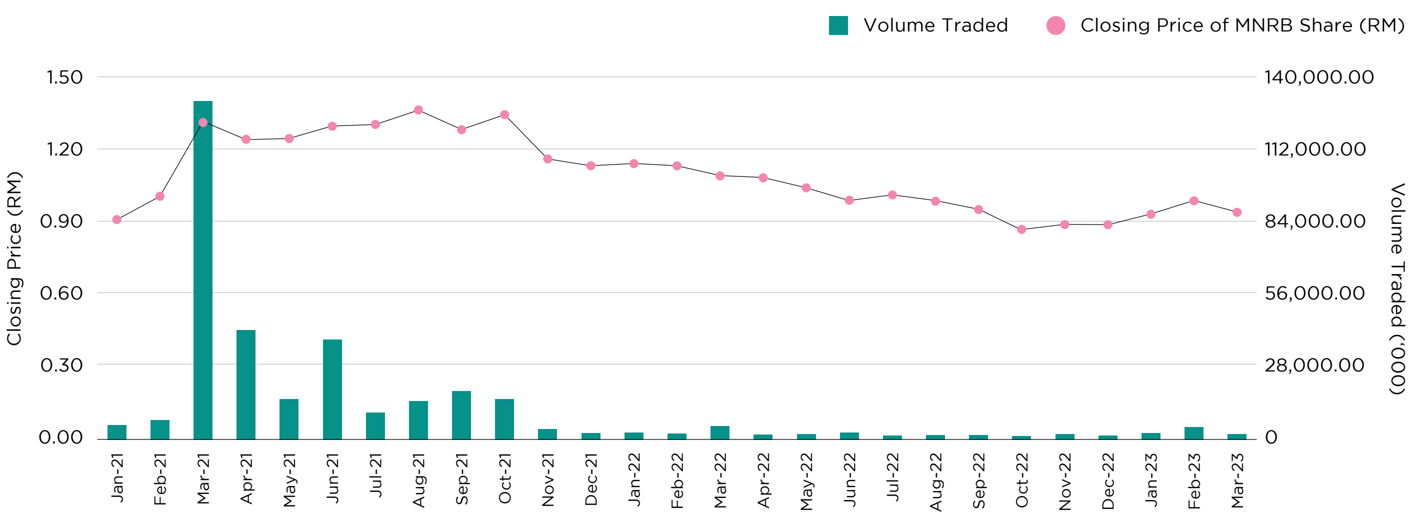
# INVESTORS INFORMATION

| | 1/4/22-31/3/23 | 1/4/21-31/3/22 | 1/4/20-31/3/21 | 1/4/19-31/3/20 | 1/4/18-31/3/19 |
|---|---|---|---|---|---|
| Closing Price (RM) | **0.93** | 1.08 | 1.30 | 0.565 | 1.03 |
| Highest Price (RM) | **1.11** | 1.45 | 1.47 | 1.19 | 1.99 |
| Lowest Price (RM) | **0.845** | 0.975 | 0.55 | 0.47 | 0.85 |
| Total Volume Traded ('000) | **19,437** | 164,720 | 344,640 | 113,710 | 202,783 |
| Gross Dividend Yield (%) | **2.69** | 3.70 | 2.31 | 4.42 | 0.00 |
| Price Earning Ratio (x) | **6.08** | 7.40 | 5.37 | 3.28 | 5.07 |

*Source: Bloomberg @ 29/05/2023*

**SHARE PRICES AND VOLUME TRADED (JANUARY 2021 - MARCH 2023)**

Counter: MNRB Holdings Berhad




**PERFORMANCE OF SHARES (JANUARY 2021 - MARCH 2023)**




# FINANCIAL CALENDAR 2023

**50TH ANNUAL GENERAL MEETING**

| DATE OF NOTICE OF AGM | AGM DATE |
|---|---|
| **27 JULY 2023** | **20 SEPTEMBER 2023** |

| First Quarter Result | Second Quarter Result | Third Quarter Result | Fourth Quarter Result |
|---|---|---|---|
| Report as at **30 June 2022** | Report as at **30 September 2022** | Report as at **31 December 2022** | Report as at **31 March 2023** |
| Announcement Date **30 August 2022** | Announcement Date **25 November 2022** | Announcement Date **7 February 2023** | Announcement Date **30 May 2023** |

# DIRECTORS' PROFILE

## DATUK JOHAR CHE MAT

Non-Independent Non-Executive Chairman

Date of Appointment: 1 October 2017

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 70 | Male | Malaysian | 8/8 |

**Board Committee Membership**
- Member of Risk Management Committee of the Board
- Member of Group Investment Committee

**Academic/Professional Qualification**
- Bachelor of Economics Degree, University of Malaya.

**Skill and Experience**
- He has thirty-six (36) years of experience in the banking industry. He began his career in 1975 as an Officer at the Prime Minister's Department.
- He joined Malayan Banking Berhad ("Maybank") in 1976, where he served in various divisions including in senior positions as the Manager/Senior Manager covering the transactional banking (operations), retail finance, retail marketing and private banking. From 1993 to 1995, he was appointed as the Regional Manager for Maybank branches in Selangor and Negeri Sembilan.
- In 1996, he was promoted as the General Manager, Commercial Banking Division and subsequently served as the Senior General Manager, Corporate Banking and Enterprise Banking Division in 2000.
- In 2002, he was promoted as the Senior Executive Vice President, Retail Financial Services and was thereafter appointed as the Chief Operating Officer of the Maybank Group from 2006 till 2010.

**Other Current Appointments**
- Chairman of Takaful Ikhlas Family Berhad, Takaful Ikhlas General Berhad, Malaysian Re (Dubai) Ltd. and Edelteq Holdings Berhad.
- Director of MBSB Bank Berhad, Dagang NeXchange Berhad, Motordata Research Consortium Sdn. Bhd. and Ping Petroleum Limited.

Not related to any Director and/or major shareholder of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years.

## GEORGE OOMMEN

Senior Independent Non-Executive Director

Date of Appointment: 1 January 2018

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 69 | Male | Malaysian | 8/8 |

**Board Committee Membership**
- Chairman of Risk Management Committee of the Board
- Member of Audit Committee
- Member of Group Investment Committee

**Academic/Professional Qualification**
- Fellow of the Association of Chartered Certified Accountants (UK).
- Member of Malaysian Institute of Accountants.
- Member of Malaysian Institute of Certified Public Accountants.

**Skill and Experience**
- He has thirty-seven (37) years of experience in the insurance industry. He began his insurance career in 1981 when he joined American International Assurance Company Limited as an Accountant. In 1999, he was transferred to AIG Lippo Life Insurance Company, Indonesia as Vice President-Director. Subsequently, in 2000, he joined TATA AIG Life Insurance Company, India as Managing Director.
- He later joined ACE INA Holdings Inc, India as Country Head/CEO in 2002 and thereafter, in 2003, he was appointed as Chairman/Managing Director of ACE Life, Egypt, concurrently.
- In 2007, he joined the Dubai International Financial Centre, UAE as the Executive Director, Business Development. In 2010, he was appointed as the CEO & General Representative, Assicurazioni Generali, S.p.A. for the Middle East and North African Region based in Dubai.

**Other Current Appointments**
- Chairman of Malaysian Reinsurance Berhad and Labuan Reinsurance (L) Ltd.
- Director of Takaful Ikhlas Family Berhad.
- Director of Malaysian Re (Dubai) Ltd.

Not related to any Director and/or major shareholder of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years.



## KHALID SUFAT

Independent Non-Executive Director

Date of Appointment: 1 October 2019

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 67 | Male | Malaysian | 8/8 |

**Board Committee Membership**
- Chairman of Audit Committee
- Member of Group Nomination & Remuneration Committee

**Academic/Professional Qualification**
- Fellow Member of Association of Chartered Certified Accountants (UK).
- Member of Malaysian Institute of Certified Public Accountants.
- Member of Malaysian Institute of Accountants.

**Skill and Experience**
- He has considerable experience in the banking industry having held several senior positions, namely, Managing Director of Bank Kerjasama Rakyat Malaysia Berhad, General Manager, Consumer Banking of Malayan Banking Berhad and Executive Director of United Merchant Finance Berhad.
- He had previously managed three (3) listed companies as Executive Director of Tronoh Mines Malaysia Berhad, as Deputy Executive Chairman of Furqan Business Organisation Berhad and as Group Managing Director of Seacera Tiles Berhad.

**Other Current Appointments**
- Director of Malaysian Reinsurance Berhad, Employees Provident Fund and Kuwait Finance House (Malaysia) Berhad.

Not related to any Director and/or major shareholder of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years.

## JUNAIDAH MOHD SAID

Independent Non-Executive Director

Date of Appointment: 1 October 2019

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 64 | Female | Malaysian | 8/8 |

**Board Committee Membership**
- Chairman of Audit Committee
- Member of Group Nomination & Remuneration Committee

**Academic/Professional Qualification**
- Diploma in Investment Analysis, Institut Teknologi MARA.
- Bachelor of Business Administration majoring in Finance, Western Michigan University, United States of America.

**Skill and Experience**
- She began her career as an Executive Officer of Bank Bumiputra Malaysia Berhad (now CIMB Bank Berhad) in 1984.
- Her career in central banking began in 1988 when she joined Bank Negara Malaysia ("BNM"). Her over 30-year experience in BNM had been mainly in the regulation and supervision of the insurance and insurance-related industry including insurance broking and loss adjusting.
- Throughout her career in the central bank, she had contributed significantly to the development of the Malaysian Insurance industry driving major policy initiatives among which include liberalisation of the motor and fire tariffs, development of micro insurance framework, optimisation of national retention, introduction of deferred annuity scheme and establishment of Protection and Indemnity Malaysia (a Malaysian P&I Club).

**Other Current Appointments**
- Nil

Not related to any Director and/or major shareholder of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years.

## ZAIDA KHALIDA SHAARI

Independent Non-Executive Director

Date of Appointment: 1 October 2019

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 55 | Female | Malaysian | 8/8 |

**Board Committee Membership**

- Chairman of Group Nomination & Remuneration Committee
- Member of Risk Management Committee of the Board

**Academic/Professional Qualification**

- LLB (Hons), University of Warwick, United Kingdom.
- Barrister-at-Law at Gray's Inn, United Kingdom.
- Master of Business Administration, University of Strathclyde, United Kingdom.

**Skill and Experience**

- She began her career in 1991 in legal practice with Messrs. Zain & Co. Thereafter, in 1997, she joined Permodalan Nasional Berhad ("PNB") as legal advisor to the corporate finance group and subsequently appointed as the Senior Compliance Officer & Head of Legal Department. She was also appointed as the joint Company Secretary of PNB.
- She joined Khazanah Nasional Berhad ("Khazanah") in January 2007 as a Senior Vice President of Investments and was subsequently appointed as Director of Investments in April 2009. During her stint in Khazanah, she oversaw the real estate and education investments of Khazanah. She served Khazanah as an Executive Director of Investments until January 2019.
- She was appointed as Chief Executive Officer of Yayasan AMIR, a non-profit organisation that focus to improve accessibility to quality education in public schools through a Public-Private Partnership with the Ministry of Education Malaysia from 1 June 2020 until 30 June 2022. On 1 July 2022, she was appointed as an Advisor for Yayasan AMIR.
- She is also the Advisor of Yayasan MeReka, an alternative education entity that aims to skill the youth on the necessary digital and other skills for the future.

**Other Current Appointments**

- Director of UEM Sunrise Berhad, Cement Industries of Malaysia Berhad, Pelaburan Hartanah Nasional Berhad, Mega Legacy (M) Sdn. Bhd. and AEON Co. (M) Berhad.

Not related to any Director and/or major shareholder of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years.

## DATO' WAN ROSHDI WAN MUSA

Independent Non-Executive Director

Date of Appointment: 1 April 2020

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 65 | Male | Malaysian | 7/8 |

**Board Committee Membership**

- Chairman of Group Investment Committee
- Member of Risk Management Committee of the Board

**Academic/Professional Qualification**

- Diploma in Accountancy, Institut Teknologi MARA.
- Bachelor of Science in Finance, Northern Illinois University, United States of America.
- Master in Business Administration, Governors State University, United States of America.

**Skill and Experience**

- He began his career with Permodalan Nasional Berhad ("PNB") in 1985. During his early years, he had held various positions including Head of Corporate Services and Finance Department, during which he was responsible for the monitoring of investee companies and value enhancing and strengthening of PNB's strategic investment through corporate and capital restructuring, rationalisation, and listing.
- In 2004, he was appointed as Chief Investment Officer, which he held until 2015. During this period, he was involved in the setting of strategic direction for accomplishment of PNB's investment goals. This includes the management and delivery of outcomes of PNB proprietary fund and unit trust funds through the formulation, recommendation and oversight of investment strategies relating to asset allocation, economic and sector allocation and financial market outlook.
- Prior to his retirement in June 2016, he held the position of Chief Risk Officer where he handled risk management and performance portfolio assessment.

**Other Current Appointments**

- Nil

Not related to any Director and/or major shareholder of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years.

# GROUP SHARIAH COMMITTEE'S PROFILE

## PROF. DR. YOUNES SOUALHI

Chairman

Date of Appointment: 3 November 2022

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 55 | Male | Algerian | 3/3 |

**Academic/Professional Qualification**

- Bachelor in Usul al Fiqh from Emir University of Islamic Sciences Algeria.
- Masters in Usul al-Fiqh from International Islamic University Malaysia.
- Ph.D in Usul al-Fiqh from University of Malaya.

**Skill and Experience**

- He is a Registered Financial Planner under Malaysian Financial Planning Council.
- Member of the Accounting and Auditing Organization for Islamic Financial Institutions Shariah sub-committee.
- He serves as a Senior Researcher and Deputy Director of Research Development and Innovation at International Shariah Research Academy for Islamic Finance.
- He currently serves as Senior Researcher Fellow and Professor at INCEIF University, Malaysia.
- He is currently a Deputy Chairman of Shariah Committee of Al-Rajhi Bank, Malaysia, the sole Shariah advisor for Kuwait Retakaful (Labuan), the Chairman of Shariah council of experts for Salam Takaful, Nigeria and the Deputy Chairman of Aljazair Mutahidah Takaful company in Algeria.
- He was previously the Chairman of the Shariah board of Munich Re Retakaful and a member of Shariah Committee of HSBC Amanah Malaysia.
- He has twenty-seven (27) years of wide-ranging teaching experience and taught Islamic finance subjects such as Takaful and Retakaful courses for Masters and Ph.D levels. He had also published articles and books in Islamic Banking and Finance particularly on Takaful and Retakaful.

## DR. SHAMSIAH MOHAMAD

Member

Date of Appointment: 3 November 2020

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| 56 | Female | Malaysian | 6/6 |

**Academic/Professional Qualification**

- Bachelor of Shariah (First Class Hons.), University of Malaya.
- Master of Shariah, University of Malaya.
- Ph.D specialising in Fiqh & Usul Fiqh from University of Jordan, Jordan.

**Skill and Experience**

- She was an Associate Professor at the Academy of Islamic Studies in University of Malaya and a Senior Researcher at International Shariah Research Academy for Islamic Finance.
- She sits on several Shariah Committee of prestigious financial institutions and has vast experience handling Shariah issues.
- She is also appointed as a Member of Shariah Advisory Council of Securities Commission Malaysia, Shariah Supervisory Council of Bank Islam Malaysia Berhad, Shariah Committee of SME Bank and Shariah Committee of Association of Islamic Banking Institutions Malaysia.
- She was also a Shariah Advisory Council of Bank Negara Malaysia from 2013 to 2019 and Shariah Committee of Bursa Malaysia Securities Berhad. Her areas of specialization are Islamic Transaction.

## SAHIBUS SAMAHAH ASSOC. PROF. DATUK DR. LUQMAN ABDULLAH

Member

Date of Appointment: 3 November 2020

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| **53** | **Male** | **Malaysian** | **4/6** |

**Academic/Professional Qualification**

- B.A Shariah (Hons), University of Malaya.
- Ph.D in Islamic Law of Property, University of Edinburgh, Scotland.

**Skill and Experience**

- He currently serves as the Mufti of Wilayah Persekutuan.
- He is also appointed as Shariah Committee Member of MBSB Bank, Shariah Panel Expert of Jabatan Kemajuan Islam Malaysia ("JAKIM"), Member of Association of Shariah Advisor in Islamic Finance ("ASAS"), Committee Member of Shariah Advisory Council of Amanah Raya Berhad and Member of Administrative Committee for Wakaf Majlis Agama Islam dan Adat Istiadat Melayu Kelantan ("MAIK") – Muamalat.
- He is the Chairman of Madrasah Rahmaniah Pondok Lubuk Tapah, Pasir Mas, Kelantan and was a visiting Scholar at University of Edinburgh, Scotland in 2013.
- He was the Head of Fiqh and Usul/Islamic Jurisprudence Department at University of Malaya.
- His areas of specialisation are Islamic Law of Property, Islamic Jurisprudence/Legal Theories and Shariah/Fiqh Textual Studies (Dirasah Nassiyyah).

## SHAHRIR SOFIAN

Member

Date of Appointment: 3 November 2020

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| **59** | **Male** | **Malaysian** | **6/6** |

**Academic/Professional Qualification**

- Bachelor of Economics (Hons.), International Islamic University Malaysia.
- Bachelor of Islamic Studies (Shariah), The National University of Malaysia.
- Master in Actuarial Science (with distinction) City University of London, United Kingdom.

**Skill and Experience**

- He had served in various departments with Bank Negara Malaysia ("BNM") since 1987. He served as Manager in the Financial Sector Development Department and Manager of Insurance Development Department of BNM. He also managed and led the compliance review processes.
- He was involved in the formulation of Balance Score Card for Life Insurance/Family Takaful Agents under the LIFE framework, Development of Business Plan of the Insurance Development Department to be part of the Bank's Business Plan, formulation of the policy document on direct channel, and the establishment of dedicated department (that is Islamic Banking and Takaful Department) to steer the progress and development of Islamic Financial System by providing justification for the establishment.
- He also has extensive experience in insurance regulations and operations.



GROUP SHARIAH COMMITTEE'S PROFILE

## DR. KHAIRUL ANUAR AHMAD

Member

Date of Appointment: 1 July 2022

| Age | Gender | Nationality | Attendance |
|---|---|---|---|
| **49** | **Male** | **Malaysian** | **5/5** |

**Academic/Professional Qualification**

- Bachelor of Shariah (Hons.) University of Malaya.
- Master of Shariah, University of Malaya.
- Ph.D in Islamic Banking and Finance from International Islamic University Malaysia.

**Skill and Experience**

- He serves as Senior lecturer at Universiti Islam Selangor (UIS) and specialised in Fiqh Muamalat (Islamic Law of Transaction) and Islamic Economics & Banking.
- He is the Chairman of Shariah Committee, OCBC Al-Amin Bank Berhad, a member of the Shariah Committee at KOPSYA and Afshaa Shariah Advisory Sdn. Bhd.
- He previously served as a Member of Shariah Committee, HSBC Amanah Berhad and FWD Takaful Bhd. He is also a member of Association of Shariah Advisors in Islamic Finance.
- He has published several articles and researches in Islamic Finance throughout his career as a Lecturer.

# KEY SENIOR MANAGEMENT


ZAHARUDIN DAUD


AHMAD NOOR AZHARI ABDUL MANAF


MUHAMMAD FIKRI MOHAMAD RAWI


DATO' RUDY RODZILA CHE LAMIN


SHARMINI PERAMPALAM


RIZAL MOHD ZIN


DURRAINI BAHARUDDIN


LEONG JOE YEE


MASTURA MOHD SHAFIE

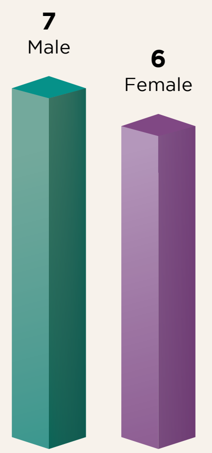

LENA ABD LATIF


NUR AZLINA MOHD YAZID

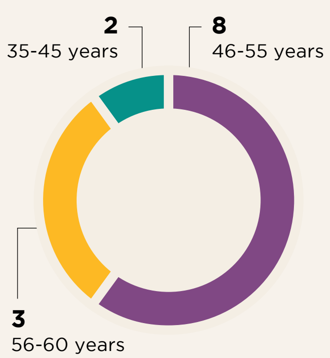

NG CHEE SANG


HANIZA FILZAH HAYANI ABU HANIFFA

**Gender Diversity**




**Age Diversity**




# KEY SENIOR MANAGEMENT'S PROFILE

**ZAHARUDIN DAUD**
President & Group Chief Executive Officer

| Age | Nationality | Gender |
|---|---|---|
| 56 | Malaysian | Male |

### Academic/Professional Qualification

- Advanced Diploma in Business Studies, Institut Teknologi MARA.
- An Associate of The Chartered Insurance Institute ("ACII") since 1992.

### Skill and Experience

- He started his career in an insurance Broking house and has exposures in Sales and Marketing, Operations, Retail Underwriting and Product Design in his over thirty (30) years of experience in the general insurance business.
- He was also the Management Committee member of the Persatuan Insurans Am Malaysia ("PIAM") and Life Insurance Association of Malaysia ("LIAM") until 2018, and was a Board member of ISM Insurance Services Malaysia Berhad ("ISM") until August 2020.
- In early 2010, he was redeployed to Singapore to be the Principal Officer of Etiqa Singapore before returning to Malaysia to assume the position of the CEO of Etiqa Insurance Berhad in September 2014. He was the CEO of Etiqa General Takaful Berhad from January 2018 to August 2020.
- He joined MNRB on 1 September 2020 as the President & GCEO Designate prior to his official appointment as the President & GCEO of MNRB on 23 November 2020.
- He was appointed as a Non-Independent Executive Director of Malaysian Reinsurance Berhad, Takaful Ikhlas Family Berhad and Takaful Ikhlas General Berhad on 23 November 2020. He is also a Director of associate company, Motordata Research Consortium Sdn. Bhd. On 21 January 2021, he was appointed as a Director of Malaysian Re (Dubai) Ltd.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**AHMAD NOOR AZHARI ABDUL MANAF**
President & Chief Executive Officer, Malaysian Reinsurance Berhad

| Age | Nationality | Gender |
|---|---|---|
| 51 | Malaysian | Male |

### Academic/Professional Qualification

- Holds a certified qualification from Universiti Teknologi MARA ("UiTM") and Malaysian Insurance Institute ("MII") majoring in Investment Analysis and Insurance (Risk Management) .

### Skill and Experience

- He has accumulated thirty (30) years of experience in insurance and reinsurance. He has worked with leading companies such as Etiqa Insurance (MNI), Hannover Re, Malaysia and Kuwait Re Far East Regional Office where the last position held was as the Principle Officer.
- He has been a part of Malaysian Re since August 2016 and has served as the Chief Underwriting Officer since December 2021.
- In addition to his current role, he was responsible for the underwriting of Business Region 2 (East Asia, ASEAN, Africa & Europe) and has contributed significantly to the growth and success of Malaysian Re.
- He was appointed as President & CEO of Malaysian Re on 1 April 2023.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**MUHAMMAD FIKRI MOHAMAD RAWI**
President & Chief Executive Officer,
Takaful Ikhlas Family Berhad

| Age | Nationality | Gender |
|---|---|---|
| **58** | **Malaysian** | **Male** |

**Academic/Professional Qualification**

- Bachelor of Business Administration, Western Michigan University, Kalamazoo, United States of America.

**Skill and Experience**

- He has over twenty-eight (28) years of combined experience in the banking, insurance and takaful.
- Prior to joining Takaful IKHLAS Family, he was the CEO of Sun Life Malaysia Takaful Berhad.
- He was appointed as President & CEO of Takaful IKHLAS Family on 14 January 2022.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**DATO' RUDY RODZILA CHE LAMIN**
President & Chief Executive Officer,
Takaful Ikhlas General Berhad

| Age | Nationality | Gender |
|---|---|---|
| **54** | **Malaysian** | **Male** |

**Academic/Professional Qualification**

- Master of Management, International Islamic University Malaysia.
- Holds a certified qualification from The Association of International Accountants (UK).

**Skill and Experience**

- He has over twenty-eight (28) years of combined experience in the financial, banking and insurance industries.
- Prior to joining Takaful IKHLAS General, he was the Executive Vice President, Head of Regional Distribution in Etiqa Group.
- He joined Takaful IKHLAS General on 1 November 2021 as the President & CEO Designate. He was appointed as President & CEO of Takaful IKHLAS General on 30 November 2021.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.



KEY SENIOR MANAGEMENT'S PROFILE

**SHARMINI PERAMPALAM**
Senior Vice President &
Acting Group Chief Financial Officer

| Age | Nationality | Gender |
|---|---|---|
| **55** | **Malaysian** | **Female** |

**Academic/Professional Qualification**

- Honours Degree in Accountancy, Universiti Putra Malaysia.
- A fellow member of Chartered Accountant of the Malaysian Institute of Accountants.
- Holds an Associateship of Malaysian Insurance Institute ("AMII").

**Skill and Experience**

- After an early career as a tax consultant and Internal Auditor she joined the then Malaysian National Reinsurance Berhad in 1995 as an Internal Audit Executive and moved up the ranks to Manager before being transferred to the Finance Department.
- She was promoted to Senior Vice President & Head of Finance in 2011. She left MNRB to join a general insurer as Chief Financial Officer in 2017 before returning to her current role in MNRB on 15 January 2021. On 12 December 2022, she was appointed as the Acting Group Chief Financial Officer. She is also the Director of Sinar Seroja Berhad and MMIP Services Sdn. Bhd..
- She is a Reinsurance Accounting specialist, with a wealth of experience in insurance operations and is known for driving operations management to align finance functions with business operations and increase efficiency and bottom line profit.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**RIZAL MOHD ZIN**
Senior Vice President &
Group Chief Strategy Officer

| Age | Nationality | Gender |
|---|---|---|
| **47** | **Malaysian** | **Male** |

**Academic/Professional Qualification**

- Bachelor of Arts in Engineering and Masters in Engineering, University of Cambridge, United Kingdom.

**Skill and Experience**

- He started his career at a large telecommunications company in 1999 and then gained experience in the fields of corporate strategy planning and execution, performance management, Merger & Acquisition ("M&A") and investment management in various sectors such as media, education, FMCG and private equity.
- Prior to joining MNRB, he was a Director for Investments at Ekuiti Nasional Berhad, a government-linked private equity firm. He joined MNRB on 1 April 2019.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**DURRAINI BAHARUDDIN**
Senior Vice President &
Group Chief Investment Officer

| Age | Nationality | Gender |
|---|---|---|
| 39 | Malaysian | Female |

### Academic/Professional Qualification

- Bachelor of Law ("LLB"), King's College, University of London.
- Masters of Applied Finance by Kaplan Professional, Australia.

### Skill and Experience

- She started her career in 2007 as an Investment Analyst with Permodalan Nasional Berhad, before taking on the role of Regional Fund Manager with Permodalan Nasional Berhad and its formerly fully owned subsidiary Singapore Unit Trusts Limited.
- In 2016, she went on to take up a role in Business Development with Franklin Templeton Malaysia before joining Value Partners Malaysia in 2018 and subsequently taking on the role of CEO. She joined MNRB on 13 February 2023.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**LEONG JOE YEE**
Senior Vice President &
Group Chief Risk Officer

| Age | Nationality | Gender |
|---|---|---|
| 45 | Malaysian | Male |

### Academic/Professional Qualification

- Bachelor of Science in Business Administration, Actuarial Science, Drake University, Iowa, United States of America.

### Skill and Experience

- He began his career as an actuarial consultant in the United States and returned to Malaysia in 2003. He has extensive experience in driving risk management and operational changes in organizations, partnering with business and underwriting teams in transforming the business by leveraging on analytics, driving the implementation of business intelligence, and providing independent insights and perspective to Board of Directors.
- Prior to joining MNRB, he was the Chief Risk Officer for Hannover Re Malaysian Branch. He joined MNRB on 10 March 2021.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.





**MASTURA MOHD SHAFIE**
Senior Vice President &
Group Chief Compliance Officer

| Age | Nationality | Gender |
|---|---|---|
| 50 | Malaysian | Female |

### Academic/Professional Qualification

- Bachelor in Business Administration, Finance from MARA University of Technology and a Chartered Islamic Finance Professional from INCEIF.
- Holds a certified Shariah Practitioner qualification from Association of Shariah Advisors in Islamic Finance in 2022.

### Skill and Experience

- She began her career as a dealer representative in TA Securities Berhad in 1997 and two (2) years later she joined Bank Negara Malaysia as a Senior Supervisor, Financial Conglomerates Supervision Department.
- She served in this function for sixteen (16) years during which she gained experience in the areas of governance, compliance and risk management. She left Bank Negara Malaysia in 2015 to join Bank of Tokyo-Mitsubishi UFJ and later employed by several other commercial banks.
- She joined MNRB on 4 January 2023.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**LENA ABD LATIF**
Senior Vice President,
Head of Legal & Secretarial & Company Secretary

| Age | Nationality | Gender |
|---|---|---|
| 56 | Malaysian | Female |

### Academic/Professional Qualification

- Bachelor of Laws (Honours), International Islamic University Malaysia.
- Called to the Malaysian Bar.

### Skill and Experience

- She has over thirty (30) years of accumulated working experience in legal, secretarial and corporate affairs starting at Utusan Melayu (Malaysia) Berhad and Land & General Berhad. She joined the then Malaysian National Reinsurance Berhad in 2003 as Manager, Legal & Secretarial and was appointed as its Company Secretary in February 2004.
- She was promoted to her current position as Senior Vice President & Head of Legal & Secretarial in 2011. She is also the Company Secretary of Malaysian Reinsurance Berhad, Takaful Ikhlas Family Berhad, Takaful Ikhlas General Berhad, Sinar Seroja Berhad, Malaysian Re (Dubai) Ltd. and MMIP Services Sdn. Bhd.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

KEY SENIOR MANAGEMENT'S PROFILE

**NUR AZLINA MOHD YAZID**
Senior Vice President &
Head of Group Human Capital Management

| Age | Nationality | Gender |
|---|---|---|
| **55** | **Malaysian** | **Female** |

### Academic/Professional Qualification

- Bachelor of Law ("LLB"), University of East London, United Kingdom.

### Skill and Experience

- She has more than twenty-five (25) years of experience in diverse industries including Legal, Manufacturing, IT, Oil & Gas and Shared Services. Throughout her career, she has led organisations in improving Performance and Leadership, Talent Management and Workforce Planning, Organisation Development and Capability Building, Transformation and Change Management, Diversity & Inclusiveness as well as focusing on Positive Employee Relations and Industrial Relations.
- Her expertise also includes supporting divestiture of companies during her tenure in Intel and Shell.
- She is also a Certified Lean Practitioner and has helped businesses drive continuous improvement efficiencies by focusing on simplifications and standardization of work process. Prior to joining MNRB Holdings Berhad, she was General Manager HR Upstream in Shell Malaysia. She joined MNRB on 2 March 2022.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**NG CHEE SANG**
Senior Vice President &
Group Chief Technology Officer

| Age | Nationality | Gender |
|---|---|---|
| **52** | **Malaysian** | **Male** |

### Academic/Professional Qualification

- Bachelor of Science, Computer & Information Science, National University of Singapore.

### Skill and Experience

- He began his career as a software developer with a network provider in Singapore before returning to Malaysia in 1997.
- He has more than twenty-five (25) years of working experience as an IT professional. He held various roles and responsibilities in the Insurance/Takaful industry and was instrumental in helping the insurance companies transform and strengthen the IT divisions/departments. He has successfully implemented many IT solutions which have helped to support business growth, reduce the turnaround time and cost of doing business. He joined MNRB on 13 September 2021.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

**HANIZA FILZAH HAYANI ABU HANIFFA**
Senior Vice President &
Group Chief Internal Auditor

| Age | Nationality | Gender |
|---|---|---|
| **54** | **Malaysian** | **Female** |

### Academic/Professional Qualification

- Bachelor in Accountancy, International Islamic University Malaysia.
- A Chartered Accountant ("C.A") and an Associate member of the Institute of Chartered Secretaries and Administrators ("ICSA").
- Chartered member of the Institute of the Internal Auditors ("CMIIA").

### Skill and Experience

- She started her career in 1992 with Messrs. Arthur Andersen & Co. and later served in an associate company of Petronas for about eight (8) years as the Head of Corporate Services and Finance before moving on to MAS where she was given the opportunity to work closely with the Turnaround office as the Manager, Group Reporting & Control.
- In 2007, she joined Syarikat Takaful Malaysia Berhad ("STMB") and moved her way up from Senior Manager to Head of the Internal Audit Division until April 2019. She left STMB in April 2019 to join MNRB on 3 May 2019. She has vast experience in both external and internal auditing, besides other areas in finance field.

**Note:**
Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## *Corporate Governance Approach*

The Board of Directors ("the Board") of MNRB Holdings Berhad ("MNRB" or "the Company") presents this Corporate Governance Overview Statement ("CG Overview Statement") to provide shareholders and investors with an overview of the principal features of the Company's and its subsidiaries' ("the Group") corporate governance practices during the financial year ended 31 March 2023 ("financial year") as well as key focus areas and future priorities in relation to corporate governance.

The Board remains committed towards maintaining a high standard of corporate governance throughout the Group and strives to continuously improve the effective application of the principles and best practices as laid down in the following:-

(a) Companies Act, 2016;
(b) Malaysian Code of Corporate Governance issued by the Securities Commission Malaysia on 28 April 2021 ("MCCG 2021"); and
(c) Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

In addition to the above, as a Financial Holding Company approved by Bank Negara Malaysia ("BNM"), the Board also applies the standards set out in BNM's Policy Document on Corporate Governance ("PD CG").

MNRB accords high regard to the effective application of these principles and best practices in addition to upholding high standard of business integrity in all activities undertaken by the Group.

This includes a commitment to emulate good industry practices and to comply with policy documents and recommendations by regulatory authorities.

Set out below is a statement on how MNRB has applied the principles and complied with the best practices as prescribed under the MCCG 2021, the Listing Requirements and the PD CG during the financial year.

This CG Overview Statement is prepared in compliance with Bursa Securities Listing Requirements and it is supported by MNRB's Corporate Governance Report 2023, based on prescribed format as outlined in Paragraph 15.25(2) of Bursa Securities Listing Requirements.

The Corporate Governance Report is to provide a detailed articulation on the extent to which the Company has complied with the corporate governance practices set out in the MCCG 2021. The Corporate Governance Report 2023 is available on the Company's website, **www.mnrb.com.my.**, as well as via an announcement on Bursa Securities' website.

This CG Overview Statement should also be read in conjunction with the other statements in this annual report (e.g. Statement on Risk Management and Internal Control, Reports on Audit and Sustainability Statement) as the application of certain corporate governance enumerations may be more briefly explained in the context of the respective statements.





## PRINCIPLE A — BOARD LEADERSHIP AND EFFECTIVENESS

### BOARD RESPONSIBILITIES

The Board is responsible for the proper stewardship of the Group's resources, the achievement of the Group's objectives and good corporate citizenship. It discharges these responsibilities by complying with all the relevant Acts and Regulations, including adopting the principles and best practices of the MCCG, the Listing Requirements and the PD CG.

The Board exercises effective oversight role in the conduct of the Group's affairs. This includes the responsibility to determine the Group's development and overall strategic direction. Key matters such as the approval of quarterly and annual results, major acquisitions and disposals, major capital expenditures, budgets, business plans and succession planning for top management, are reserved for the Board or its appointed committees to deliberate and resolve.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company and in line with MCCG, the Board is required to adhere to the following:-

- together with senior management, promote good governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- review, challenge and decide on Management's proposals for the Company, and monitor their implementation by Management;
- ensure that the strategic plan of the Company will support long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- supervise and assess management performance to determine whether the business is being properly managed;
- ensure the availability of sound framework for internal controls and risk management;
- understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
- set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensure the Senior Management has the necessary skills and experience, and measures are in place to provide for the orderly succession of the Board and Senior Management;
- ensure that the Company has in place procedures to enable effective communication with stakeholders; and
- ensure the integrity of the Company's financial and non-financial reporting.

There is also a financial and business review of the Group's quarterly performance including operating performance to date, against the annual budget and business plan previously approved by the Board for that year.

The functions of the Board and Management are clearly demarcated to ensure the effectiveness of the Company's business and its day-to-day operations as outlined in the Board Charter. The Board delegates the day-to-day management of the Company's business to the Senior Management Team, but reserves for the Board's consideration significant matters, as disclosed in detail under Appendix A of the Board Charter.

A code of conduct and whistleblowing policy have been put in place to foster an ethical culture and allow legitimate concerns to be raised in confidence without the risk of reprisal ("said Code"). The said Code is reviewed periodically by the Board and published on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



## PRINCIPLE A — BOARD LEADERSHIP AND EFFECTIVENESS

During the year, a strategic meeting involving the Boards of the four (4) entities within the Group was held to deliberate on matters concerning the way forward towards achieving the vision of the Group. This collaboration was envisaged to promote better coherence among the business of the subsidiaries and to enhance group strategy.

### BOARD COMPOSITION

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations. It embraces the proposition that having a diverse Board would have a positive, value-relevant impact on the Group.

The Board comprises members with relevant expertise and experience drawn from business, financial and technical fronts which strengthened leadership and management.

During the financial year, the Board comprised six (6) members, all of whom are Non-Executive Directors, including the Chairman. Five (5) members are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Chairman/Director. The presence of majority independent directors allows the Board to apply heightened professional vigilance and challenge the Management in an unbiased manner and prevent dominance and complacency in the boardroom.

As at the date of this report, the percentage of the Board composition is as follows:-

**Independent Non-Executive Directors**

5 out of 6
83.3%

**Non-Independent Non-Executive Chairman/Director**

1 out of 6
16.7%

By virtue of this composition, the Company is in compliance with:-

- Paragraph 15.02 of the Listing Requirements which requires at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent;
- Paragraph 11.3 of the PD CG which requires the Chairman of the Board to be a Non-Executive Director; and
- Paragraph 11.4 of the PD CG which requires the Board to comprise not more than one Executive Director which currently, the Board does not have any as its member.

The above is also in line with the Board's holistic approach in determining its size, composition, and level of independence wherein the Board, to the extent possible, also takes into account the following principles in determining its composition and ideal size:-

- to have only one Executive Director as a member of the Board (which currently, the Board does not have any as its member);
- to appoint a Chairman of the Board who is a Non-Executive Director;
- to ensure that the role of the Chairman of the Board is separate from the President & GCEO;
- to ensure that the Chairman of the Board does not chair any of the Board Committees;
- to ensure that Board Committees comprise a majority of Independent Non- Executive Directors;
- to ensure that the Chairman of all Board Committees are Independent Non-Executive Directors; and
- to appoint a Senior Independent Director from among the Independent Non-Executive Directors.

### BOARD DIVERSITY

The Board fully recognises the importance of boardroom diversity including but not limited to, gender, age and experience in driving the Group's aspirations. To this effect, a Policy on Diversity was established in 2016.

The Board values the different expertise that each Director brings to the Board due to his or her diverse background, skills and experience.

Although the Board has no specific targets on gender diversity, it endeavours to maintain the number of women directors subject to their suitability and competency. During the financial year, the Board has two (2) women members, representing 33.3% of the total Board Members.

In order to comply with regulatory requirements and to have a well-balanced Board, the existing appointment process for a new Board member takes into consideration the required skill sets, experience, competency, gender and age of the individual candidates as well as the appropriate size, structure and composition of the Board as a whole. The Board is now largely equipped with knowledge in the field of reinsurance, regulatory, accounting, banking, legal, investment and business operations.

The table below depicts the qualification/experience as well as tenure of the existing Directors during the financial year:-

| Name | Qualification/Experience | Tenure in the Company |
|---|---|---|
| **Datuk Johar Che Mat** | Banking | 5 years, 6 months |
| **George Oommen** | Accounting, Insurance & Reinsurance | 5 years, 3 months |
| **Khalid Sufat** | Accounting & Banking | 3 years, 6 months |
| **Junaidah Mohd Said** | Regulatory & Reinsurance | 3 years, 6 months |
| **Zaida Khalida Shaari** | Law & Investment | 3 years, 6 months |
| **Dato' Wan Roshdi Wan Musa** | Corporate Risk & Investment | 3 years |

### BOARD MEETINGS

The Board meeting dates for the ensuing financial year are scheduled in advance before the end of the current financial year in order for the Directors to plan their schedules ahead of time.

The Board has scheduled meetings of at least six (6) times a year, besides the Annual General Meeting ("AGM"). During the financial year, the Board met (8) times consisting of six (6) scheduled meetings and two (2) special meetings. The additional two (2) special meetings was due to deliberations on the Group Liquidity Management Policy & Plan of the MNRB Group and Malaysian Reinsurance's Capital Raising Exercise.

Technology is effectively used in Board meetings and communications with the Board. Board meeting materials are shared electronically and where required, Directors may participate in meetings via video conference.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A —— BOARD LEADERSHIP AND EFFECTIVENESS

Pursuant to the Listing Requirements, all Directors are required to attend at least fifty percent (50%) of Board meetings while under Paragraph 9.3 of the PD CG, all Directors are required to attend at least seventy five percent (75%) of Board meetings held during the financial year. During the financial year, all Directors have complied with both the requirements.

The details of attendance of the Directors at Board meetings held during the financial year are as follows:-

**Datuk Johar Che Mat**
Chairman
Non-Independent Non-Executive Director
8 out of 8
100%

**George Oommen**
Senior Independent Non-Executive Director
8 out of 8
100%

**Khalid Sufat**
Independent Non-Executive Director
8 out of 8
100%

**Junaidah Mohd Said**
Independent Non-Executive Director
8 out of 8
100%

**Zaida Khalida Shaari**
Independent Non-Executive Director
8 out of 8
100%

**Dato' Wan Roshdi Wan Musa**
Independent Non-Executive Director
7 out of 8
88%

### DIRECTORS' REMUNERATION

**Remuneration Policy and Procedure**

The Group Nomination & Remuneration Committee recommends to the Board the appropriate remuneration packages for the Board in order to attract, motivate and retain the Directors. The Remuneration Policy is to reward the Directors competitively, taking into account performance, market comparison and competitive pressure in the industry. Whilst not seeking to maintain a strict market position, the Group Nomination & Remuneration Committee takes into account comparable roles in similar organisations that may be of similar in size, market sector or business complexity.

After the 49th AGM of the Company, all Non-Executive Directors were paid Directors' fees on monthly basis instead of quarterly. The Board was of the view that this arrangement is just and equitable as the Non-Executive Directors had discharged their responsibilities and rendered their services to the Company.

The remuneration structure for the Non-Executive Directors of the Company is as follows:-

- Fees for duties as a Director and as a member of the various Committees of the Board as well as additional fees for undertaking responsibilities as Chairman of the Board and the various Board Committees.
- Benefits which consist of cash and non-cash benefits of monetary value.

The Directors' fees and benefits for all Non-Executive Directors are recommended by the Board to the shareholders for their approvals.

The Board, through the recommendation of the Group Nomination & Remuneration Committee, had agreed to maintain the same fee structure as used in the previous year for computing the fee for each Non-Executive Director for the financial year ended 31 March 2023. This would include the Directors' fees for the Group Nomination & Remuneration Committee and Group Investment Committee which was established on 1 January 2022:-

| | | Annual fees RM | Meeting Attendance Allowance RM |
|---|---|---|---|
| Board | Chairman | 130,000 | RM1,500 for each meeting attended |
| | Member | 70,000 | |
| Audit Committee | Chairman | 22,000 | |
| | Member | 17,000 | |
| Risk Management Committee of the Board | Chairman | 22,000 | |
| | Member | 17,000 | |
| Group Nomination & Remuneration Committee | Chairman | 17,000 | |
| | Member | 12,000 | |
| Group Investment Committee | Chairman | 17,000 | |
| | Member | 12,000 | |

The details of the total remuneration of each Director of the Company during the financial year are disclosed on pages 200 to 203 of this Annual Report.

**Remuneration Policy in respect of the President & GCEO and Board Appointees of the Company**

The objective of the Company's remuneration policy is to attract, motivate, reward and retain high performance personnel.

The remuneration of the President & GCEO and the Board Appointees of the Company are reviewed at the point of contract renewal by the Group Nomination & Remuneration Committee.

The basic component of the remuneration package comprises a monthly basic salary. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and reviewed by the Group Nomination & Remuneration Committee and approved by the Board. Such components comprise a performance-based variable bonus, which are generally paid/awarded once a year. In awarding this variable component, the President & GCEO and Board Appointees' corporate and individual performances are measured using a balanced scorecard approach that encourages business sustainability and prudent risk taking.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



## PRINCIPLE A —— BOARD LEADERSHIP AND EFFECTIVENESS

Staff engaged in all control functions including Actuarial and others, do not carry business profit targets in their goal sheets and hence, are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

The annual budget for salary increments and performance-related variable bonus, reviewed by the Group Nomination & Remuneration Committee is submitted to the Board for approval.

The competitiveness of the Company's compensation structure is reviewed annually relative to a peer group of companies that is considered relevant, for compensation purposes to ensure continued appropriateness. The review is done through comparison to data source from various remuneration surveys conducted independently by remuneration consultants.

The Company's variable compensation varies in line with its financial performance and in meeting PD CG requirements.

The total value of remuneration for the President & GCEO and Board Appointees (i.e. Group Chief Financial Officer, Group Chief Investment Officer, Group Chief Risk Officer and Group Chief Internal Auditor) and Senior Management Officers for the financial year are as follows:-

| Fixed Remuneration | Grade | Unrestricted RM | Deferred RM | Remark |
|---|---|---|---|---|
| Cash-Based | President & GCEO | 1,446,783 | - | Salaries, allowance and EPF |
| | BA & SM | 6,148,414 | - | |
| Others | President & GCEO | 18,300 | - | Benefit-in-kind |
| | BA & SM | 8,400 | - | |
| **Variable Remuneration** | **Grade** | **Unrestricted** | **Deferred** | **Remark** |
| Cash-Based | President & GCEO | 277,875 | - | Variable Bonus and EPF on bonus |
| | BA & SM | 824,186 | - | |
| Others | President & GCEO | - | - | |
| | BA & SM | - | - | |

*BA: Board Appointees*
*SM: Senior Management*

### BOARD EDUCATION & DEVELOPMENT

**Induction Programme for Newly Appointed Director**

The Company acknowledges that continuous education is vital for the Board members to gain insight into the regulatory updates and market developments to enhance the Directors' skills and knowledge in discharging their responsibilities.

During the financial year, all Directors attended various seminars and programmes to strengthen their skills set and knowledge in order to effectively discharge their responsibilities, as well as to acquire sound understanding of current issues and developments in the financial and business environment.

Pursuant to the requirements of Bursa Malaysia, a newly appointed Director is required to attend the Mandatory Accreditation Programme ("MAP") and obtain a certificate from a programme organiser approved by Bursa Malaysia.

In addition to the above, being a Director of a financial institution, a newly appointed Director is required to attend the Financial Institution Directors' Education ("FIDE") programme and complete the same within one (1) year from the date of appointment.

In the event that the new Director had completed the same in another financial institution previously, the Director should provide a copy of his/her FIDE certificate to the Company Secretary.

All new Directors are required to undergo an induction programme to be apprised of amongst others, information about the Group, the Board's role, powers that have been delegated to the Company's Senior Management and Management committees as well as the latest financial information of the Group. This is to quickly familiarise the Directors on the 'DNA' of the Company for early and effective contribution.

To supplement the programme, a Director's Handbook is furnished by the Company Secretary upon a Director's appointment containing information such as disclosure obligations of a Director, Board Charter, Code of Ethics, Board Committees' Term of Reference, schedule of meetings, amongst others.

**Directors' Continuous Education and Development**

The Company, via the Company Secretary also facilitates the organisation of internal training programmes and Directors' participation in external programmes to ensure the Directors are kept abreast of new developments pertaining to laws and regulations, changing business risks, as well as technology and cyber security issues, which may affect the Company.

The Company Secretary keeps a complete record of the trainings received or attended by the Directors. Details of trainings/conferences/workshops attended by the Directors during the financial year are set out in the Corporate Governance Report 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



## PRINCIPLE A —— BOARD LEADERSHIP AND EFFECTIVENESS

## REPORT BY THE GROUP NOMINATION & REMUNERATION COMMITTEE

The Group Nomination & Remuneration Committee was established on 1 January 2022 with the objective to better enhance the efficiency and governance of the Nomination Committee and Remuneration Committee functions in discharging its duties and responsibilities throughout the MNRB Group.

It functions on a Group basis and is empowered to consider related matters across the MNRB Group. The Board views this approach as an effective way to promote consistency of standards and practices within the Group where governance, human capital and rewards are concerned.

The functions and responsibilities of the Group Nomination & Remuneration Committee are set out in its Terms of Reference which is available on MNRB's website.

The Group Nomination & Remuneration Committee comprises three (3) Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. The Chairman of the Group Nomination & Remuneration Committee updates the Board on matters that have been deliberated and considered by the said Committee at its meetings.

Attending the Group Nomination & Remuneration Committee Meetings are one (1) permanent invite Director from each subsidiary. The President & Group Chief Executive Officer and the President & Chief Executive Officers of the subsidiaries also attend the Group Nomination & Remuneration Committee meetings as and when necessary.

The representation from subsidiaries in the Group Nomination & Remuneration Committee enables an inclusive discussion at the meetings prior to recommending the matters to the subsidiaries' respective Boards for final decision.

### MEETINGS AND ATTENDANCE

During the financial year, the Group Nomination & Remuneration Committee convened ten (10) meetings.

Details of members' attendance are as follows:-

**Zaida Khalida Shaari**
Chairman
Independent Non-Executive Director
10 out of 10
100%

**Khalid Sufat**
Independent Non-Executive Director
*Represent Malaysian Reinsurance Berhad*
10 out of 10
100%

**Junaidah Mohd Said**
Independent Non-Executive Director
10 out of 10
100%

**Shareen Ooi Bee Hong**
Independent Non-Executive Director
*Permanent Invitee, Takaful Ikhlas Family Berhad*
10 out of 10
100%

**Dr Wan Zamri Wan Ismail**
Independent Non-Executive Director
*Permanent Invitee, Takaful Ikhlas General Berhad*
9 out of 10
90%

### DIRECTORS AND KEY SENIOR MANAGEMENT OFFICERS APPOINTMENT

The Board ensures that a formal and transparent nomination process for the appointment of Directors, Group Shariah Committee Members and Key Senior Management Officers is continuously maintained and improved pursuant to its nomination framework.

Individuals appointed to the Board, Group Shariah Committee and relevant senior positions must be fit and proper to discharge their prudential responsibilities during the course of their appointment.

They are assessed by the Group Nomination & Remuneration Committee in accordance with the MNRB Group Fit & Proper Policy. These assessments and verifications are carried out on the declarations by each individual, including the record of material academic/professional qualification and the carrying out of checks by independent party on matters such as bankruptcy and regulatory disqualification.

The MNRB Group Fit & Proper Policy outlines the following criteria in assessing the suitability of the candidate:-

- Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind, fairness and ethical behaviour;
- Competence and capability, where the candidate must have the skills, experience, ability and commitment to carry out the role; and
- Financial integrity, where the candidate must be financially sound and be able to manage his/her debts or financial affairs prudently.

At least two (2) members of Group Nomination & Remuneration Committee conduct interview session with the potential candidates and assess them based on their skills and experience, independence (as the case may be) and objectivity, sound judgement as well as other relevant perspectives before presenting to the Board for approval.

The Board's expectations on the time commitment and contribution from the new Directors are clearly communicated to the potential candidates. The Group Nomination & Remuneration Committee will evaluate the candidates' ability to discharge their duties and responsibilities as well as assess their commitment to devote their time as a Director prior to recommending their appointment as Directors for approval.

Pursuant to PD CG, MNRB is required to make an application to BNM before the appointment/reappointment of a Director, Group Shariah Committee member and its President & GCEO.

During the year, there were two (2) new recommendations made by the Group Nomination & Remuneration Committee namely to appoint a new Chairman of the Group Shariah Committee as well as one new Member.

As for the Board, there was no new recommendation made by the Group Nomination & Remuneration Committee to appoint a new Director for the Company.

The Board, through recommendation by the Group Nomination & Remuneration Committee had approved the appointments of the three (3) new Key Senior Management Officers of the Company, as follows:-

- Puan Sharmini Perampalam as the Acting Group Chief Financial Officer;
- Puan Durraini Baharuddin as the new Group Chief Investment Officer; and
- Puan Mastura Mohd Shafie as the new Group Chief Compliance Officer.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



## PRINCIPLE A — BOARD LEADERSHIP AND EFFECTIVENESS

### BOARD EVALUATION & ASSESSMENT

During the financial year, the Group Nomination & Remuneration Committee had also performed the Annual Assessment on the Effectiveness of the Board, Directors' Peer Evaluation for the MNRB Group as well as the Evaluation of the President & GCEO and President & CEOs of the subsidiaries.

The process was internally facilitated and conducted through questionnaires circulated to the Board covering a spectrum of qualities associated with the Board's Effectiveness, Strategic Plan, Composition, Operations, Performance of the President & GCEO/ President & CEOs of the subsidiaries as well as Directors' Peer Evaluation that encapsulates amongst others contribution, performance and calibre of Individual Director.

These questionnaires were designed and carefully selected by the Group Nomination & Remuneration Committee to ascertain the Board's and Individual Directors' strength and gaps or areas for improvement.

The Company Secretary would then collate the results and summarise the report on the assessment for the Group Nomination & Committee's consideration before recommending to the Board. The findings also form part of the Board's evaluation for the reappointment of existing Directors and the President & GCEO as well as the President & CEOs of the subsidiaries.

In addition to the Board Annual Assessment described above, the Group Nomination & Remuneration Committee also reviewed the term of office and performance of the Audit Committee and its members in line with the requirement under paragraph 15.20 of the Listing Requirements. Based on the Corporate Governance Guide issued by Bursa Securities, the assessment of the Audit Committee would include assessment on the Quality & Composition, Skills & Competencies and Meeting Considerations & Conduct.

The Group Nomination & Remuneration Committee, having deliberated the findings, would report to the Board the results and highlight those matters that require further discussion and direction by the Board.

### SUMMARY OF THE GROUP NOMINATION & REMUNERATION COMMITTEE'S ACTIVITIES IN THE FINANCIAL YEAR 2023/2024

During the financial year, the Group Nomination & Remuneration Committee considered and made recommendations to the respective Boards on the following matters:-

- Reviewed the appointments and reappointments of Directors and Group Shariah Committee within the MNRB Group;
- Reviewed new appointments and renewal of the Contract of Appointment of Key Senior Management Officers within the MNRB Group;
- Assessed the Board Effectiveness Evaluation for the Board and Individual Directors for the financial year ended 31 March 2022;
- Assessed the results of the Audit Committee Evaluation and the assessment on Audit Committee Effectiveness;
- Assessed the results of the Annual Assessment on the Effectiveness of the Group Shariah Committee and its Members for financial year ended 31 March 2022;
- Assessed the findings of the Fit and Proper Assessment of Directors and Key Senior Management within the MNRB Group;
- Reviewed the compositions of the Board and Board Committees of the MNRB Group;
- Reviewed the payment of Directors' Fees for the financial year ended 31 March 2022 for Directors within the MNRB Group;
- Assessed the results of the MNRB Group Corporate Key Performance Indicators and Linkages to Annual Increment & Bonus for financial year ended 31 March 2023;
- Assessed the Proposed Corporate Key Performance Indicators for the Financial Year Ending March 31, 2024;
- Reviewed the Employee Referral Program for the MNRB Group;
- Reviewed the establishment of Performance Management Assessment & Timeline Eligibility & Key Principles for the MNRB Group;
- Reviewed the establishment of Pilot of MNRB Group Graduate Program;
- The alignment of Clauses in Scheme of Service due to the 2022 Amendment of Employment Act 1955;
- Reviewed the adoption of People Principles on Managing People Movement Policy for Affected Staff Within the MNRB Group;
- Reviewed the MNRB Group New Joiner Incentives Policy; and
- Reviewed the revision of the Group Shariah Committee's Annual Fees & Benefits.

### GROUP SHARIAH COMMITTEE

The Group Shariah Committee was established to cater for the Group's Takaful and Retakaful businesses. It resides at MNRB and is leveraged by the other subsidiaries within the Group. The Group Shariah Committee is tasked with the responsibility of ensuring that the Group's Takaful and Retakaful business activities are in compliance with Shariah principles at all times.

The establishment of Group Shariah Committee is in compliance with the Islamic Financial Services Act, 2013 and BNM's Shariah Governance which outlines the Bank's strengthened expectations for effective Shariah governance arrangements that are well-integrated with business and risk strategies of the Islamic financial institutions.

Any Shariah non-compliance risk is reported to the Group Shariah Committee and the Board. The effective management of the Shariah non-compliance risk is managed through the Shariah Control Function i.e. Shariah Review, Shariah Audit and Shariah Risk Management and present a periodic report on Shariah non-compliance and highlights action plans undertaken to address any Shariah non-compliance risk.

The Group Shariah Committee plays a significant role in providing objective and sound advice to the Group's Takaful and Retakaful businesses to ensure that their aims and operations, business, affairs, and activities are in compliance with Shariah.This includes:-

(a) providing a decision or advice to the Group's Takaful and Retakaful businesses on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Islamic Financial Institution;
(b) providing a decision or advice on matters which require a reference to be made to the SAC BNM;
(c) providing a decision or advice on the operations, business, affairs and activities of the Group's Takaful and Retakaful businesses which may trigger a Shariah non-compliance event;
(d) deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
(e) endorsing rectification measures to address any Shariah non-compliance event.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



## PRINCIPLE A — BOARD LEADERSHIP AND EFFECTIVENESS

During the financial year, the Board had appointed one (1) new Group Shariah Committee member namely, Dr. Khairul Anuar Ahmad with effect from 1 July 2022. His appointment further adds diversity to the knowledge of the Group Shariah Committee which now comprises takaful, regulatory, economic, banking, and business operations.

Effective 3 November 2022, Assoc. Prof. Dr. Said Bouheraoua resigned as the Chairman after serving for a period of eleven (11) years. Following his resignation, the Board had appointed Prof. Dr. Younes Soualhi as the new Chairman effective 3 November 2022.

On 3 December 2022, Senator Dato' Setia Dr. Mohd Na'im Mokhtar had resigned following his appointment as the Minister of Religious Affairs. Following his resignation, the Group Shariah Committee then comprises five (5) members of whom four (4) members are with Shariah background whilst one (1) member has expertise in other areas. This new composition is sufficient and will still allow the members to discharge their duties adequately.

On 28 February 2023, the Board through the recommendation of the Group Nomination & Remuneration Committee had resolved to appoint one (1) new Group Shariah Member, subject to Bank Negara Malaysia's approval.

A total of six (6) Group Shariah Committee meetings were held during the financial year.

Details of the Group Shariah Committee members' attendance are as follows:-

**Prof. Dr. Younes Soualhi**
Chairman
*(Appointed with effect from 3 November 2022)*
3 out of 3
100%

**Dr. Shamsiah Mohamad**
Member
6 out of 6
100%

**Shahrir Sofian**
Member
6 out of 6
100%

**Sahibus Samahah Assoc. Prof. Datuk Dr. Luqman Abdullah**
Member
4 out of 6
67%

**Dr. Khairul Anuar Ahmad**
Member
*(Appointed with effect from 1 July 2022)*
5 out of 5
100%

**Assoc. Prof. Dr. Said Bouheraoua**
Chairman
*(Resigned with effect from 3 November 2022)*
3 out of 3
100%

**Senator Dato' Setia Dr. Mohd Na'im Mokhtar**
Member
*(Resigned with effect from 3 December 2022)*
4 out of 4
100%

The remuneration of the Group Shariah Committee members is decided by the Board. The Meeting Attendance Allowance and Annual Fees of the Group Shariah Committee members are funded equally by subsidiaries of MNRB, namely Takaful Ikhlas Family Berhad, Malaysian Reinsurance Berhad (for its Retakaful Division) and Takaful Ikhlas General Berhad.

On 28 February 2023, the Board through the recommendation of the Group Nomination & Remuneration Committee, had agreed to revise the FY2023 fees for Group Shariah Committee's structure as follows:-

| | FY2023 Annual Fee RM | New Annual Fee RM |
|---|---|---|
| Chairman | 36,000 | 48,000 |
| Member | 32,000 | 42,000 |

The Board also resolved that the new fees to be paid on a monthly basis effective from 1 April 2023. The Board was of the view that it is just and equitable for the GSC to be paid such payment on monthly basis after they have discharged their responsibilities and rendered their services.

To remain competitive and to attract strong candidates, the Board has considered the market practices for the Group Shariah Committee's benefits and agreed that the following benefits saved for Meeting Attendance Allowance be approved for the Group Shariah Committee with effect from 1 April 2023:-

(a) Outpatient, Dental, Optical, Annual Medical Check-Up and Inpatient:-

| Medical Type | Coverage |
|---|---|
| Outpatient | RM10,000 |
| Dental | |
| Optical | |
| Annual Medical Check – Up | |
| Inpatient | RM150,000 |

(b) Group Personal Accident ("GPA") & Group Term Takaful ("GTT") coverage.

i. The GPA and GTT provide 24 hours coverage on death or permanent total disablement arising from all causes and cover for temporary partial disablement arising from all causes.

ii. The total coverage for each plan is as follows:-

| Medical Type | Total Coverage |
|---|---|
| GPA | RM800,000 |
| GTT | RM200,000 (Additional Critical Illness coverage up to 100% of Basic Death) |

## PRINCIPLE B — EFFECTIVE AUDIT AND RISK MANAGEMENT

### AUDIT COMMITTEE

During the financial year, the Audit Committee comprises three (3) members. The Company has complied with Paragraph 15.09 of the Listing Requirements, which requires all members of the Audit Committee to be Non-Executive Directors with majority being Independent Directors. Two (2) members of the Audit Committee are qualified Accountants and members of the Malaysian Institute of Accountants.

The Audit Committee's duties, as spelt-out in the Audit Committee Report on page 113 of this Annual Report, include primarily, the duties as spelt out in paragraph 15.12 of the Listing Requirements.

The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Directors are responsible for ensuring that the accounting records are kept properly and that the Group's financial statements are prepared in accordance with applicable approved accounting standards in Malaysia. The Statement by Directors pursuant to Section 251(3) of the Companies Act 2016 is set out on page 130 of this Annual Report.

### RISK MANAGEMENT COMMITTEE OF THE BOARD

The Board believes that an effective Risk Management Framework is essential for the Group to achieve its corporate objectives, sustained profitability and enhancement of shareholders' value in today's rapidly changing market environment.

Undertaking oversight role on risk governance is a dedicated Risk Management Committee of the Board ("RMCB") which oversees the implementation of an enterprise-wide risk management framework. The RMCB comprises four (4) members, a majority of whom are Independent Non-Executive Directors and chaired by the Senior Independent Non-Executive Director.

The RMCB assists the Board in meeting the expectations on risk management including ensuring the effective implementation of the Enterprise Risk Management Framework. The RMCB met five (5) times during the financial year.

Details of members' attendance are as follows:-

**George Oommen**
Chairman
Senior Independent Non-Executive Director
5 out of 5
100%

**Dato' Wan Roshdi Wan Musa**
Independent Non-Executive Director
4 out of 5
100%

**Datuk Johar Che Mat**
Non-Independent Non-Executive Director
5 out of 5
100%

**Zaida Khalida Shaari**
Independent Non-Executive Director
5 out of 5
100%

For the year under review, the Board confirmed its satisfaction with the performance of the RMCB in discharging its duties and responsibilities in accordance with its Terms of Reference.

Details on the Group's Internal Control and Risk Management is presented in the Statement on Risk Management and Internal Control as set out on page 116 of this Annual Report.





## PRINCIPLE C — INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Company has been transparent and accountable in maintaining the commitment to communicate effectively with shareholders. The Board is also committed to ensure that the shareholders and other stakeholders are well informed of major developments of the Group and the information is communicated to them through various channels including Annual Report, disclosures and announcements to Bursa Securities, press release, dialogues and presentations at general meetings and online investor relations on the Company's website.

### INVESTOR RELATIONS

As part of the initiatives in developing and implementing an investor relations programme, regular briefings are held between the Group with analysts and investors.

Presentations based on permissible disclosures are made to explain the Group's performance and major development initiatives. Price-sensitive information about the Group is however, not disclosed at these briefings until after the prescribed announcement to Bursa Securities has been made.

### ANNUAL REPORT

The Group's Annual Report is the main channel of communication between the Group and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed corporation, the contents and disclosure requirements of the Annual Report are also governed by the Listing Requirements.

The Company disseminates its Annual Report to its shareholders either in hard copy or access to the website via QR code. All information to shareholders is available electronically in the Company's website **www.mnrb.com.my** as soon as it is announced or published.

### CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for dialogue with shareholders. The Company's AGM is normally well attended as it provides the shareholders direct access to the Board as well as provide the opportunity for the shareholders to participate effectively and to vote accordingly.

As a precautionary measure amid the COVID-19 pandemic, the Company's 49th AGM held on 22 September 2022 and was again conducted virtually and entirely via Remote Participation and Electronic Voting (RPEV) facilities in compliance with Section 327(2) of the Companies Act 2016 and Article 68 of the Company's Constitution.

All resolutions as set out in the Notice dated 27 July 2022 were conducted by way of poll via e-polling and were duly passed by the shareholders. The Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd., acted as the Poll Administrator and Commercial Quest Sdn. Bhd. was appointed as the Independent Scrutineer to verify and confirm the results of the poll.

Besides the normal agenda for the AGM, the President & GCEO presented a comprehensive and concise review of the Group's financial performance in addition to key development and progress achieved by the Group. This review is supported by the presentation of key points and key financial figures. The President & GCEO also presents the progress and performance of the Group in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group.

## PRINCIPLE C — INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

For the 49th AGM, shareholders were invited to send questions before the meeting via email to the Company's Investor Relations. The Chairman also encouraged shareholders to participate at the meeting by submitting typed questions in real time on the meeting platform. Questions that were submitted prior to the 49th AGM and those that were posed at the meeting were addressed during the meeting.

For transparency, the questions which had been addressed/answered were published for viewing of shareholders on the RPEV facilities. KPMG Management & Risk Consulting Sdn. Bhd. was appointed as the Moderator in line with the advice from the Minority Shareholders Watch Group to appoint an independent party to moderate the Questions & Answers session in a fair and impartial manner.

All six (6) Directors, Members of Senior Management and partners from the external audit firm were present at the 49th AGM to provide responses to the questions posed by shareholders.

The poll results were announced by the Company via BursaLINK on the same day for the benefit of all shareholders. The minutes of the 49th AGM including all questions raised and answers thereto were made available on the Company's website within 30 business days after the AGM.

### QUARTERLY ANNOUNCEMENTS & PRESS RELEASES

The Group makes announcements on its quarterly results and other announcements to Bursa Malaysia to provide stakeholders with key information that affects their decision-making, thus enhancing the level of transparency.

To promote wider publicity and dissemination of publicly available information, the Group also issues press releases to the Media on all significant corporate developments and business initiatives to keep the investment community and all stakeholders apprised on the progress and development of the Group.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 26 May 2023.



# AUDIT COMMITTEE REPORT

### CHAIRMAN & MEMBERS OF THE COMMITTEE

**Khalid Sufat**
Chairman
Independent Non-Executive Director

**George Oommen**
Member
Senior Independent Non-Executive Director

**Junaidah Mohd Said**
Member
Independent Non-Executive Director

### MEMBERSHIP

The Audit Committee shall be appointed by the Board and comprises at least three (3) members of whom all members must be non-executive directors and the majority shall be independent directors. At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or eligible for membership.

The members of the Audit Committee must elect a Chairman among themselves who is an independent director.

As at the financial year end, the Audit Committee comprises of three (3) Independent Non-Executive Directors. Two (2) members of the Committee are qualified accountants and members of the Malaysian Institute of Accountants.

The composition including the tenure of the Audit Committee members as well as the performance of the Audit Committee and each of its members had been reviewed during the financial year.

### AUTHORITY

The Committee is authorised by the Board to undertake any activity within its terms of reference and must have unlimited access to all information and documents relevant to its activities, to both the Internal and External Auditors, as well as to all employees of the Group.

It must be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.

It must also have the authority to obtain independent legal or other professional advice as it considers necessary.

### MEETINGS

A quorum shall consist of at least two-thirds of the members with independent directors forming the majority.

A minimum of four meetings per year is planned. Additional meetings may be called at any time if so requested by any committee member, the Management, the Internal or External Auditors.

The Chairman of the Committee shall invite any person to be in attendance to assist the committee in its deliberations.

After each meeting, the Audit Committee shall report and update the Board on significant issues and concerns discussed and where appropriate, make the necessary recommendations to the Board. The minutes of the meetings shall also be circulated to the Board after confirmation.

The Secretary to the Committee shall be the Company Secretary.

### ACTIVITIES

For the financial year under review, a total of six (6) Audit Committee Meetings were held. Details of members' attendance are as follows:-

**Khalid Sufat**
6 out of 6
100%

**George Oommen**
6 out of 6
100%

**Junaidah Mohd Said**
6 out of 6
100%

The main activities that took place during the meetings were:

- Reviewed the quarterly results, unaudited interim financial statements and year-end financial statements prior to approval by the Board;
- Reviewed the disclosures in the audited financial statements to be in compliance with regulatory requirements;
- Reviewed the Internal and External Auditors' audit plans for the year ended 31 March 2023, as well as the Internal Auditors' audit plan for the financial year ending 31 March 2024;
- Evaluated the performance and recommended to the Board, the appointment and remuneration of the External Auditors for the financial year ended 31 March 2023;
- Deliberated on, and recommended to the Board, the payment of dividend for the financial year ended 31 March 2022;
- Deliberated on, and recommended to the Board, the adoption of new Malaysian Financial Reporting Standards ("MFRSs") and Amendments / Annual Improvements to MFRSs that are effective for the financial year ended 31 March 2023;
- Reviewed the Statement of Directors' Responsibility in Relation to the Financial Statements, Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the annual report to be in compliance with Bursa Malaysia requirements;
- Reviewed the Related Party Transactions as entered into by the Company on periodic basis, including understanding the relationship of the transacting parties, nature of these parties' business, the nature and timing of transactions and comparing the terms of the transactions with other third-party transactions;
- Deliberated on significant matters raised by the External Auditors including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and received progress updates from Management on actions taken for improvements;
- Reviewed the External Auditors' management letter and Management's response thereto. Meetings without the presence of the Management were also held with the external auditors on 13 June 2022. Matters discussed during these meetings include key reservations noted by the External Auditors during the course of their annual audit;
- Deliberated on matters pertaining to the implementation of MRFS 17 Insurance Contract;
- Reviewed the status update on the tax audit conducted by Inland Revenue Board on the Company;
- Reviewed the actual and proposed Key Performance Indicators of the Internal Audit Department for the financial years ended 31 March 2022 and 31 March 2023 respectively;
- Reviewed the results of the internal audit reports for the Company on the adequacy and effectiveness of governance, risk management and compliance processes;
- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised by both the Internal and External Auditors including status of completion achieved;
- Reviewed the compliance with the Policy Document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions as well as evaluated the effectiveness of the overall compliance risk of the Company; and
- Deliberated the progress of action plans to address Bank Negara Malaysia's concerns highlighted in Composite Risk Rating Letter of Malaysian Reinsurance Berhad, Takaful Ikhlas General Berhad and Takaful Ikhlas Family Berhad for the year 2021.

*In respect of the Company's Employees' Share Option Scheme ("ESOS"), there were no allocation of options in the year for the Audit Committee to review.*





## INTERNAL AUDIT DEPARTMENT

The Audit Committee ("AC") is assisted by the Internal Audit Department ("IAD") in the discharge of their duties and responsibilities. Internal Audit Department is independent of operations and was set up in-house on 2 January 1991.

As at the financial year end, IAD is staffed by twenty three (23) auditors. Some of the IAD staff have professional qualification such as the Association of Chartered Certified Accountants and are members of the Institute of Internal Auditors. With the exception of one (1) Internal Audit Department staff who exercised the Company's ESOS in 2004 and holds shares of the Company, the rest of the Internal Audit Department staff are free from any relationship or conflict of interest. This does not result in the impairment of objectivity and independence of the internal audit function as a whole.

The IAD's duties are guided by prevailing internal policies and procedures and the Institute of Internal Auditors' International Professional Practice Framework as well as professional standards set within the Institute of Internal Auditors Code of Ethics.

Their primary responsibility is to provide assurance to the AC on the effectiveness of the governance, risk management and internal control process within the Company and its subsidiaries. Internal audit reports are issued to the Management of the operational units and contain audit findings, management responses and recommendations for improvement in areas with risk and internal control deficiencies.

For the financial year ended 31 March 2023, the total costs incurred for IAD were RM4,044,351.

A summary of its activities for the year is as follows:

1. Conducted audits of the various business portfolios/departments of the Company and its subsidiaries, including the reviews performed over key risk areas i.e. underwriting, claims, investment, customer relationship management, information and communication technology, outsourcing of external parties and review the Policy Document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions;
2. Conducted special reviews and investigations over possible threats to the safeguarding of assets and matters concerning organisational level reputational risks;
3. Follow-up on audit findings rectification and actions taken by Management to resolve the issues identified during the audits; and
4. Prepared annual audit plans for the Audit Committee's consideration.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**This Statement on Risk Management and Internal Control (the Statement) is made pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and consistent with the guidance provided in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.**

## RESPONSIBILITY

The Board of MNRB Holdings Berhad ("MNRB") acknowledges its overall responsibility for the establishment and oversight of the Group's (comprising MNRB and its main operating subsidiaries) risk management and internal control system, as well as the review of its adequacy and effectiveness. The Board also recognises that risk management is a continuous process, designed to manage risks impacting the Group's business strategies and objectives, within the risk appetite and tolerance established by the Board. In pursuing these objectives, internal control system can only provide reasonable, but not absolute, assurance against any material financial misstatement, fraud or losses.

The Board has established a group-wide risk management framework, i.e. the Group Risk Management Framework and Policy ("RM Framework") that describes the structure, approach and process for identifying, evaluating, responding to, monitoring and managing the significant risks faced by the Group. The RM Framework is reviewed, at the minimum, on an annual basis.

The RM Framework is applicable across the Group and serves as a central risk management framework, supported by related sub-frameworks, policies and underlying procedures. It is consistent with the risk appetite defined by the Board and based on principles of risk governance stipulated in Bank Negara Malaysia ("BNM") Risk Governance Guidelines.

The Board is confident that the RM Framework provides reasonable assurance on the effectiveness and efficiency of the strategic, financial and operational aspects of MNRB and its main operating subsidiaries.

## RISK MANAGEMENT GOVERNANCE

Dedicated Board Committees known as the Risk Management Committee of the Board ("RMCB") have been established at MNRB and each of its main operating subsidiaries to support the Board in meeting the expectations and responsibilities on risk and compliance management, provides assurance to the Board that the processes have been carried out effectively and inculcates a strong risk management culture on a group-wide basis. There are clearly defined responsibilities and reporting to the RMCB from the management to provide oversight and governance over the Group's activities, which aims to safeguard shareholders' interests and the Group's assets, as well as to manage the risks of MNRB and its main operating subsidiaries for the entirety of the financial year ended 31 March 2023.

The Group Shariah Committee ("GSC") was established to provide objective and sound advice to the Group on its takaful and retakaful business to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.

The Group Management Committee ("GMC"), together with the Senior Management Committee ("SMC") of its main operating subsidiaries oversee the implementation of risk and compliance management processes, establish and implement appropriate organizational structures and systems for managing financial and non-financial risks.

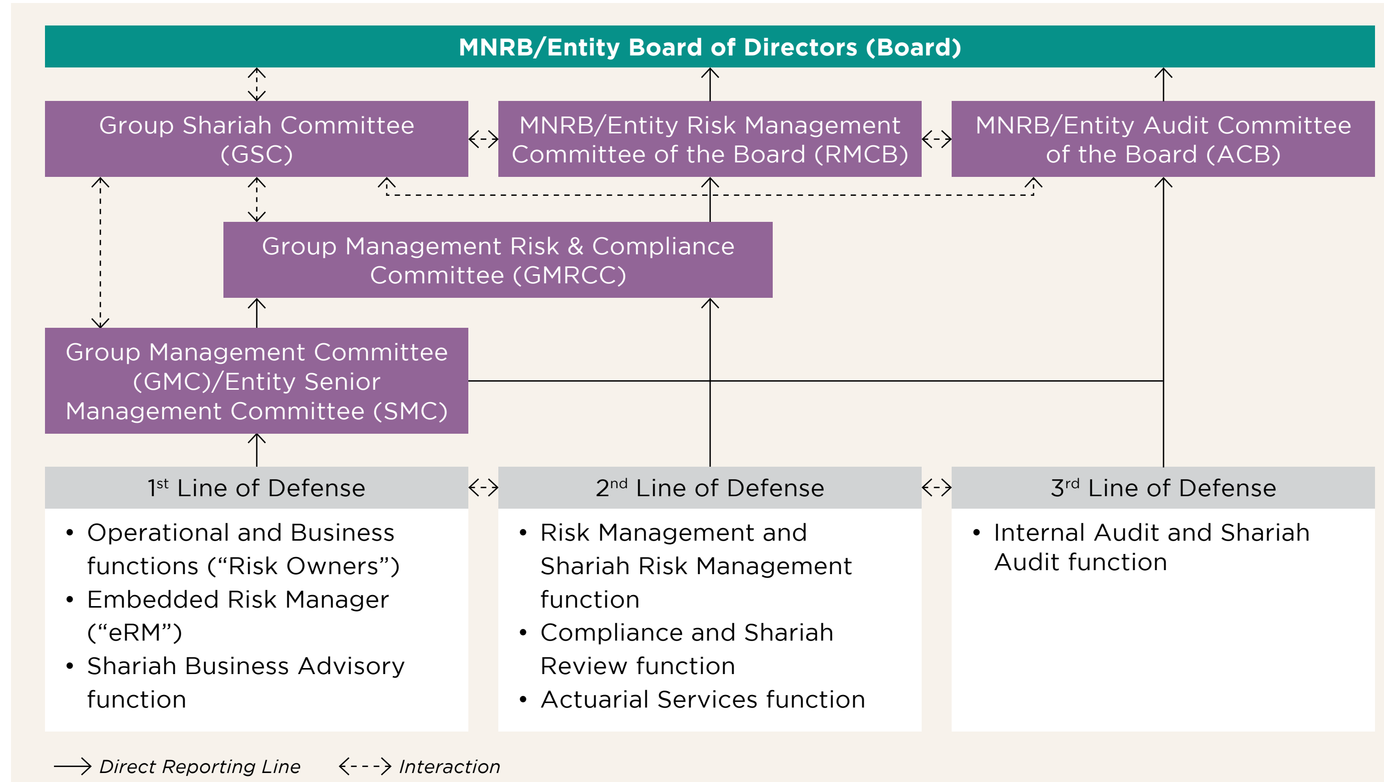
Dedicated Management Committee known as the Group Management Risk & Compliance Committee ("GMRCC") has been established to support the GMC/respective SMCs to implement the risk and compliance management processes, establish clear guidance in managing the Group's risks to ensure their alignment to their respective risk appetite for all business strategies and activities.





The risk governance structure is aligned across the Group through the adoption of the RM Framework in order to embed a streamlined and coherent risk management culture. The day-to-day responsibility for the risk management function lies primarily with those entrusted with risk management responsibilities in the business and support units. The Group Chief Risk Officer ("GCRO") oversees risk governance across the Group and is supported by the Head of Risk Management of Malaysian Reinsurance Berhad, Takaful Ikhlas Family Berhad and Takaful Ikhlas General Berhad ("main operating subsidiaries"). Together, they assist the GMRCC and the respective RMCBs in ensuring effective implementation and maintenance of RM Framework and sub-frameworks. Primarily, the main operating subsidiaries provide the necessary infrastructure to carry out the risk management function and the Risk Management Department acts as the central contact and guide for risk management issues within the respective companies.

The Group adopts the 'Three Lines of Defence ("LOD")' governance model which provides a formal, transparent and effective risk governance structure to promote active involvement from the Board, Senior Management and all staff in the risk management process across the Group.




i. First LOD: Risk Ownership and Steering is carried out by the business and support functions, which have primary responsibility for risk management and control activities embedded in day-to-day business operations.

ii. Second LOD: Risk Oversight and Monitoring is carried out by the risk management, (including Shariah risk management and review functions), actuarial and compliance functions, which have the primary responsibility for setting up risk and risk-related policies, frameworks, guidelines and procedures, as well as providing support and direction to the business with regard to risk.

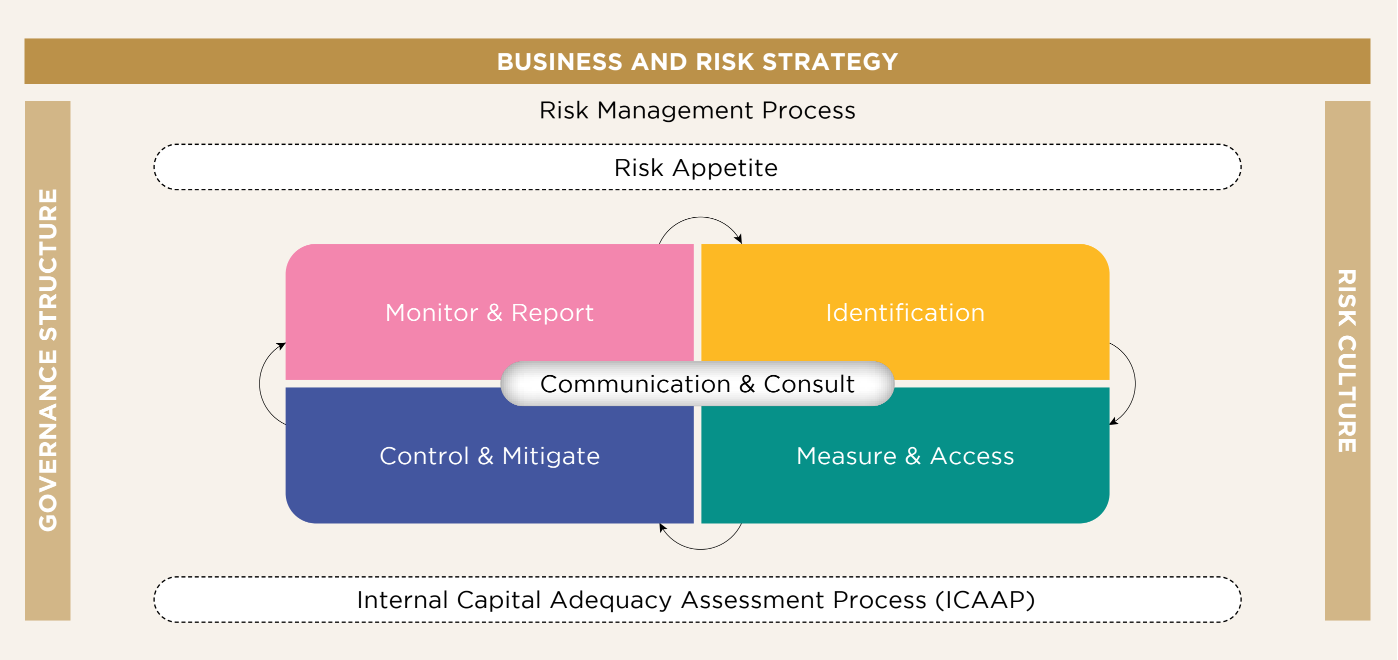
iii. Third LOD: Independent assurance is carried out by Group Internal Audit function who provides independent and objective assurance on the overall effectiveness of risk management and internal controls within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



## RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

The key features that the Board has established in reviewing the adequacy and effectiveness of the risk management framework and internal control system include the following:




## 1. GROUP RISK MANAGEMENT FRAMEWORK AND POLICY

**RM Framework**

- The Board believes that an effective RM Framework and strong internal control system are essential to the Group in its pursuit to achieve its business objectives, especially on the continued profitability and enhancement of shareholders' value in today's rapidly changing market environment.

**Risk Appetite**

- Defining risk appetite is an essential element of the Group's risk management. When deciding on its risk appetite, the Group considers its risk capacity, i.e. the amount and type of risk the Group is able to support in pursuit of its business objectives, taking into account its capital structure and access to financial market.
- The Risk Appetite Statement ("RAS") is established by the Boards of MNRB and the respective subsidiaries and reviewed on a yearly basis, according to the desired level of risk exposures. Management operationalises the RAS into risk tolerance levels for specific risks.

**Highlights on Key Risks**

The Group, through its normal day-to-day business, is exposed to different types of risks that could adversely affect the Group's operating results and financial position. Key risks are constantly monitored by the Management and escalated to the GMRCC and RMCB, and periodically reviewed by the Board.

The Group's key risks are described in the relevant sections of the Financial Statements.

## 2. INTERNAL AUDIT

- The Audit Committee ("AC") complements the oversight role of the Board by providing an independent assessment of the adequacy and effectiveness of governance, risk management and internal controls. The Audit Committee is assisted by an independent Internal Audit Department ("IAD") in performing its role.
- The internal audit function of the Group is undertaken by the IAD established at MNRB. The department reports directly to the respective Audit Committees of the Group.
- The IAD performs regular reviews of the business processes of the Group to assess the adequacy and effectiveness of governance, risk management and internal controls.
- IAD provides recommendations to improve on the effectiveness of risk management, controls and governance processes. Control lapses are escalated to Management and Board for deliberation, where necessary. Status of rectification is tracked and monitored by Management and Audit Committee, within the committed timeline. Management will accordingly follow through to ensure the resolution of recommendations agreed upon. Audit reviews are carried out on functions that are identified on a risk-based approach, in the context of the Group's evolving business and its regulatory environment, while also taking into consideration inputs of Senior Management as well as inputs from the respective Audit Committees.
- The Audit Committees meet at least once every quarter to review matters identified in reports prepared by the Internal Auditors and External Auditors. It further evaluates the effectiveness and adequacy of the Group's internal control system. The Audit Committees have active oversight on the Internal Auditors' independence, scope of work and resources. The activities undertaken by the Audit Committees during the year are highlighted in the Audit Committee Reports of MNRB and its main operating subsidiaries.

## 3. OTHER KEY ELEMENTS OF INTERNAL CONTROL

1) The Board ensures that all decisions are communicated promptly to staff of all levels within the Group and vice-versa where feedback and suggestions on improvements could be communicated to the Management and the Board.

2) The Group has a well-defined organisational structure with clear lines of responsibility and accountability. Further, to minimize errors and reduce the possibilities of fraud, segregation of duties is practised by ensuring conflicting tasks are assigned to different employees.

3) Annual business plans and budgets are developed in line with the Group's strategies and risk appetite and submitted to the respective Boards for approval. Financial performance and major variances against targets are reviewed by the Management on a regular basis and reported to the Boards on a quarterly basis.

4) The Group's financial systems record all transactions to produce performance reports that are submitted to the respective Managements within internally stipulated timelines. These performance reports and the Quarterly Bursa Announcements are tabled to the Group Management Committee ("GMC") before being tabled to the respective Audit Committee and approved by the Boards.

5) The Underwriting Guidelines for reinsurance, retakaful and takaful businesses have been put in place to manage risks that are being underwritten.

6) Retrocession / retrotakaful and retakaful programmes are in place as risk mitigation initiatives, supported by a spread of reinsurers and retakaful operators with acceptable ratings from accredited agencies. The credit ratings of these companies are reviewed on a regular basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



7) Departmental policies and procedures are available and act as guidance to employees on the necessary steps to be taken in a given set of circumstances. It also specifies relevant authority limits to be complied with by each level of Management.

8) Every employee of the Group is contractually bound to observe the MNRB Group Code of Ethics, which promotes a culture of compliance, professionalism, ethical standards and responsible conduct. The Group expects each employee to perform and work with honesty and integrity at all times and uphold the Group's values without fail.

9) The Group utilises the Skills Competency Matrix that provides a comprehensive view of the types and levels of skills and competencies needed for any particular job role. The competence of personnel is maintained through a structured recruitment process, a performance measurement and rewards system and a wide variety of training and development programmes.

10) The Group implements the annual Mandatory Block Leave ("MBL") to create a positive talent management culture where the organisation does not have an over reliance on any particular employee, and as a prudent operational risk management measure particularly with regard to employees posted in sensitive positions or areas of operations such as underwriting, treasury, procurement or investment.

11) An annual employee engagement survey is conducted with the objective to gauge the engagement level of employees, to gather their feedback on the effectiveness / ineffectiveness of the various employee touch points and to develop the necessary action plans for improvement of those areas.

12) The Group Anti-Fraud Policy has been established to provide a consistent approach to prevent, detect and manage fraud, and to make a clear statement to all employees that the Group does not tolerate fraud of any form.

13) The Group Anti-Bribery and Corruption ("Group ABC") Policy has also been established to state the Board's and Management's commitment and stance on bribery and corruption risks, which include disciplinary actions for non-compliance, misconduct or breach of the policy.

    The Group ABC Policy addresses general guidelines on both internal and external concerns on bribery and corruption risk, such as Conflict of Interest, Illegal Gratification and Corrupt Practices, Gift & Entertainment, Corporate Social Responsibility activities, sponsorship and donations, as well as dealing with public officials and third parties.

14) The Group has established the Group Anti-Money Laundering and Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT & TFS") Policy that reflects the Group's commitment in combating money laundering and financing of terrorism. It also sets out the Group's expectations on its relevant entities to be vigilant in ensuring proper controls and monitoring mechanisms to safeguard the entities against being used for money laundering or terrorism financing ("ML/TF") purposes.

15) A Group Whistleblowing Policy has been put in place for employees, external parties and other stakeholders to raise concerns about illegal, unethical or unacceptable practices. This policy governs the disclosures, reporting, investigation of misconduct and protection offered to the person(s) making those disclosures in accordance with the Whistleblowing Protection Act 2010.

16) A structured Business Continuity Management ("BCM") Programme is in place to ensure resumption of critical business operations within the pre-defined Maximum Tolerable Downtime ("MTD"). The Group has also established a Disaster Recovery Plan ("DRP") which outlines the processes and set of procedures to recover the Group's IT infrastructure within a set Recovery Time Objective ("RTO").

    The BCM Programme and DRP are validated by conducting regular tests and updated as and when necessary.

17) Sufficient insurance and takaful coverage, including covers for properties, employee-related, cyber security breaches, and Directors and Officers liabilities, are in place to ensure the Group is adequately protected against these risks and/or claims that could result in financial or reputational loss.

18) The Group Information Technology Steering Committee ("Group ITSC"), chaired by the ("President & GCEO"), is established to oversee the implementation of IT strategic plans and provide direction in support of IT related initiatives and activities. ITSC has also been established at respective main operating subsidiaries.

19) The Information Communication & Technology Department ("ICTD") and Information Systems & Services Department ("ISSD") are established and responsible for continuously monitoring and responding to IT security threats, conducting awareness programmes, as well as performing assessments and network penetration test programmes.

20) MNRB holds a 20% effective equity interest in its associated company, Labuan Reinsurance (L) Ltd. ("Labuan Re") through its subsidiary, Malaysian Reinsurance Berhad and a 40% effective equity interest in another associated company, Motordata Research Consortium Sdn. Bhd. ("MRC"). MNRB safeguards its interests in its associates by ensuring that there is adequate representation from MNRB on the Board of Directors of the associates. During the year, there are two (2) representatives, each from Malaysian Re and MNRB on the Board of Labuan Re, whilst MNRB has two (2) representatives on the Board of MRC.

## ASSURANCE

The Board, through the AC, RMCB and reports from the Senior Management; with assurance from the President & GCEO and the acting Group Chief Financial Officer ("GCFO"), is of the view that the risk management and internal control system are sound and operating adequately and effectively, in all material aspects to safeguard shareholders' interests and the Group's assets, as well as to manage the Group's risks.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement, intended to be included in the annual report, is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Risk Management and Internal Control Statement: Guidelines for Directors of Listed Issuer, nor is the Statement factually inaccurate. The external auditors are not required by AAPG 3 to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk management and control procedures.

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

**Pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

The Directors are required to prepare the financial statements which gives a true and fair view of the state of affairs of the Group and the Company as at 31 March 2023 and of their results and cash flows for the year then ended.

The Directors consider that, in preparing the financial statements for the year ended 31 March 2023,

- the Group and the Company have used appropriate accounting policies, which are consistently applied;
- reasonable and prudent judgements and estimates were made;
- all applicable approved accounting standards in Malaysia have been followed; and
- the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements are drawn up in accordance with the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 2016.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, in that context, to have proper regard to the establishment of appropriate systems of internal control with a view to prevent and detect fraud and other irregularities.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this Statement.

This statement was approved by the Board on 22 June 2023.

# ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements:

## 1. UTILISATIONS OF PROCEEDS RAISED FROM CORPORATE

There was no corporate proposal and proceeds raised by the Company during the financial year ended 31 March 2023.

## 2. NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group and the Company for the financial year ended 31 March 2023 amounted to RM192,000 and RM32,000 respectively (2022: RM181,000 and RM32,000).

## 3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies involving directors' and major shareholders' interests, which subsisted at the end of the financial year ended 31 March 2023 or, if not then subsisting, entered into since the end of the previous financial year.

# FINANCIAL STATEMENTS



# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 March 2023.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company, principally engaged in the provision of management services to its subsidiaries.

The principal activities and other information of the subsidiaries are as disclosed in Note 16 to the financial statements.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Net profit for the financial year | 119,473 | 12,556 |

## RESERVES AND PROVISIONS

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

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

## DIVIDEND

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 March 2022: | |
| Final single-tier dividend of 2.5 sen per ordinary share declared on 26 July 2022 and paid on 31 October 2022 | 19,577 |

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company since the beginning of the financial year to the date of this report.

## SUBSEQUENT EVENT

There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance.

## SHARE CAPITAL AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

On 26 October 2022, the Group issued an additional RM200,000,000 nominal value subordinated medium term notes ("MTN") which qualifies as Tier-2 capital under the Risk-Based Capital Framework for Insurers ("RBC") issued by Bank Negara Malaysia ("BNM"). The subordinated MTN carries a tenure of ten (10) years from issue date on a 10-years, non-callable 5-year basis with a fixed interest rate of 5.21% per annum payable semi-annually in arrears.

## DIRECTORS

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

| | Directors of the entities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Holding Company | Subsidiaries | | | | | |
| Name of Directors | MNRB* | Malaysian Re* | Takaful IKHLAS Family* | Takaful IKHLAS General* | MRDL* | MSSB* | SSB* |
| Datuk Johar Che Mat | ✓ | - | ✓ | ✓ | ✓ | - | - |
| George Oommen | ✓ | ✓ | ✓ | - | ✓ | - | - |
| Khalid Sufat | ✓ | ✓ | - | - | - | - | - |
| Junaidah Mohd Said | ✓ | - | - | - | - | - | - |
| Zaida Khalida Shaari | ✓ | - | - | - | - | - | - |
| Dato' Wan Roshdi Wan Musa | ✓ | - | - | - | - | - | - |
| Zaharudin Daud | - | ✓ | ✓ | ✓ | ✓ | - | - |
| Rosinah Mohd Salleh | - | - | - | ✓ | - | - | - |
| Arul Sothy S Mylvaganam | - | - | - | ✓ | - | - | - |
| Shareen Ooi Bee Hong | - | - | ✓ | - | - | - | - |
| Woon Tai Hai | - | - | ✓ | ✓ | - | - | - |
| Velayudhan Harikes | - | ✓ | - | - | - | - | - |
| Dato' Amirudin Abdul Halim | - | - | - | ✓ | - | - | - |
| Rizal Mohd Zin | - | - | - | - | - | Appointed on 1 April 2023 | ✓ |





## DIRECTORS (CONT'D.)

The names of the Directors of the Company and its subsidiaries in office since the beginning of the financial year to the date of this report are (cont'd.):

| | Directors of the entities | | | | | | |
|---|---|---|---|---|---|---|---|
| | Holding Company | Subsidiaries | | | | | |
| Name of Directors | MNRB* | Malaysian Re* | Takaful IKHLAS Family* | Takaful IKHLAS General* | MRDL* | MSSB* | SSB* |
| Dr. Wan Zamri Wan Ismail | - | - | - | ✓ | - | - | - |
| Sharmini Perampalam | - | - | - | - | - | Appointed on 9 December 2022 | Appointed on 9 December 2022 |
| Md Azmi Abu Bakar | - | - | Appointed on 1 October 2022 | - | - | - | - |
| Azizul Mohd Said | - | - | Appointed on 1 March 2023 | - | - | - | - |
| Datin Joanne Marie Lopez | - | Appointed on 1 April 2023 | - | - | - | - | - |
| Zainudin Ishak | - | - | - | - | Resigned on 1 April 2023 | Resigned on 1 April 2023 | - |
| Norazman Hashim | - | - | - | - | - | Retired on 11 December 2022 | Retired on 11 December 2022 |
| Noor Rida Hamzah | - | - | Resigned on 21 September 2022 | - | - | - | - |
| Datin Zaimah Zakaria | - | Resigned on 1 April 2023 | - | - | - | - | - |

In accordance with Clause 91 of the Company's Constitution, George Oommen and Dato' Wan Roshdi Wan Musa will be retiring at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

* MNRB - MNRB Holdings Berhad
Malaysian Re - Malaysian Reinsurance Berhad
Takaful IKHLAS Family - Takaful Ikhlas Family Berhad
Takaful IKHLAS General - Takaful Ikhlas General Berhad
MRDL - Malaysian Re (Dubai) Ltd.
MSSB - MMIP Services Sdn. Bhd.
SSB - Sinar Seroja Berhad

DIRECTORS' REPORT

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company or its subsidiaries were 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.

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 from the Company or the fixed salary and benefits receivable as a full-time employee of the Company as disclosed in Notes 9, 10 and 31 to the financial statements or benefits receivable from related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest to be disclosed under Part 1, Section 3 of the Fifth Schedule of the Companies Act, 2016.

During the financial year, the Company purchased Directors and Officers Liability Takaful cover to provide indemnity to all directors of the MNRB Group for a limit of RM50 million at a contribution of RM100,430.

## DIRECTORS' INTEREST

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year had any interest in shares of the Company or its related corporation during the financial year.

## OTHER STATUTORY INFORMATION

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and the Company were made out, the Directors took reasonable steps:

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

  (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 to realise.

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

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

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

## OTHER STATUTORY INFORMATION (CONT'D.)

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

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

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

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

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and the Company.

(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 (12) months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

For the purpose of paragraphs (e)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from reinsurance, takaful and retakaful contracts underwritten in the ordinary course of business of the reinsurance/retakaful and takaful subsidiaries and associate companies.

## AUDITORS AND AUDITORS' REMUNERATION

The retiring auditors, Messrs. Ernst & Young PLT, have expressed their willingness to accept re-appointment. Details of the auditors' remuneration for their service as auditors are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 June 2023.

**Datuk Johar Che Mat**

**Khalid Sufat**

Kuala Lumpur, Malaysia

# STATEMENT BY DIRECTORS

**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Datuk Johar Che Mat and Khalid Sufat, being two of the Directors of MNRB Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 138 to 320 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2023 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 June 2023.

**Datuk Johar Che Mat** **Khalid Sufat**

Kuala Lumpur, Malaysia

# STATUTORY DECLARATION

**PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016**

I, Sharmini Perampalam (MIA membership no. 20010), being the officer primarily responsible for the financial management of MNRB Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 138 to 320 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 above named Sharmini Perampalam )
at Kuala Lumpur in Wilayah Persekutuan )
on 22 June 2023. )

**Sharmini Perampalam**

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF MNRB HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

*Opinion*

We have audited the financial statements of MNRB Holdings Berhad, which comprise the statements of financial position as at 31 March 2023 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 138 to 320.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for opinion*

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

*Independence and other ethical responsibilities*

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

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

*Key audit matters (cont'd.)*

1. Insurance/takaful contract liabilities of the Group

The Group's insurance/takaful contract liabilities as at 31 March 2023 amounted to RM8.2billion (as disclosed in Note 20 to the financial statements) or approximately 84% of its total liabilities. The insurance/takaful contract liabilities include the following liabilities of the reinsurance/retakaful subsidiary, Malaysian Reinsurance Berhad, and the takaful subsidiaries, Takaful Ikhlas General Berhad and Takaful Ikhlas Family Berhad:

(a) Premium/contribution and claim liabilities of the general reinsurance/retakaful and takaful businesses;

(b) Actuarial liabilities of the family retakaful and takaful businesses;

(c) Net asset value attributable to unitholders of the family takaful business; and

(d) Expense liabilities in respect of the shareholder's fund of the takaful and retakaful businesses.

These liabilities have been estimated based on standard actuarial valuation methodologies and other estimation models as allowed under the Risk-Based Capital Framework for Insurers and the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia as well as the accounting policies described in Notes 2.5, 2.6 and 2.7 to the financial statements for the valuation of the insurance/takaful contract liabilities of the Group.

The complexity of the actuarial valuation methodologies and other estimation models applied to derive the insurance/takaful contract liabilitites may give rise to estimation errors as a result of inadequate or incomplete data, the design and application of the relevant valuation models by the management's experts (i.e. the Appointed Actuaries) and the use of inappropriate assumptions. Significant professional judgement is applied by the Group in deriving the assumptions (as described in Note 3.2 to the financial statements) and any significant changes thereon may have a material effect on the insurance/takaful contract liabilities.

Our audit procedures were focused on the following key areas:

- Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuaries tasked with estimating the insurance/takaful contract liabilities of the Group;
- Reviewing the reports prepared by the Appointed Actuaries in respect of the insurance/takaful contract liabilities of the Group;
- Assessing the valuation methodologies applied by the Group to derive the insurance/takaful contract liabilities;
- Assessing the design and testing the operating effectiveness of key internal controls over the actuarial valuation process with respect to financial reporting, including the bases used by the Group in determining and approving the key assumptions applied;





*Key audit matters (cont'd.)*

1. Insurance/takaful contract liabilities of the Group (cont'd.)

- Assessing the experience analyses of the reinsurance, retakaful and takaful businesses used during the setting of the key assumptions to derive the insurance/takaful contract liabilities and challenging the rationale applied by the Appointed Actuaries and management in deriving those assumptions. We have also also reviewed the impacts considered by the Group arising from the COVID-19 pandemic to the assumptions and the methodologies applied in deriving the valuation of the insurance/takaful contract liabilities. In addition and where appropriate, comparisons have also been made against other industry constituents and the experience of the respective subsidiaries;
- Testing the completeness and sufficiency of data used in the valuation of insurance/takaful contract liabilities including reviewing the data extraction process and reconciliations carried out by the Group. These tests also included control tests performed on selected samples of claims reserves, claims paid and reinsurance policies and retakaful and takaful certificates issued by the Group to ascertain the effectiveness of operating controls over the quality and accuracy of the underlying data;
- Performing audit tests on the model review process applied by management in respect of the family takaful business and independently reviewing the results thereon;
- Performing independent analyses and re-computation of the general reinsurance/retakaful/takaful contract liabilities for selected classes of business, focusing on the most significant business portfolio and those which may potentially result in significant deviations in estimates. We compared our independent analyses and re-computations to those performed by management to ascertain if the reserves were sufficient and within range of our independent analyses;
- Performing recomputation on the unearned premium reserves ("UPR")/unearned contribution reserves ("UCR") calculations produced by management and, thereafter, comparing the UPR/UCR against the unexpired risk reserves ("URR") valuations performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the general reinsurance, retakaful and takaful businesses;
- Performing recomputation on the unearned wakalah fees ("UWF") calculations produced by management and, thereafter, comparing the UWF against the unexpired expense reserves ("UER") valuations performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the shareholder's fund of the general retakaful and takaful businesses;
- Reviewing the UER valuations performed by the Appointed Actuary to ascertain if adequate reserves have been established for the shareholder's fund of the family takaful business;
- Reviewing the Liability Adequacy Test results performed by the reinsurance, retakaful and takaful subsidiaries;
- Auditing the fair value of financial assets and the adequacy of liabilities of the investment-linked funds of the family takaful business;

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MNRB HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

*Key audit matters (cont'd.)*

1. Insurance/takaful contract liabilities of the Group (cont'd.)

    - Performing control tests over the creation and cancellation of units of the investment-linked funds as well as calculation of Net Asset Values; and

    - Assessing the adequacy of disclosures made in the financial statements in respect of the insurance/takaful contract liabilities of the Group.

    We have also engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* to assist us in performing certain audit procedures on the insurance/takaful contract liabilities of the Group.

2. Tax recoverable of the Group and the Company

    As disclosed in Note 22 to the financial statements, the Group and the Company are currently appealing against additional tax assessments and penalties raised by the Inland Revenue Board of Malaysia ("IRB"), amounting to approximately RM24.9 million and RM19.7 million respectively. These additional tax assessments and penalties were paid by the Group and the Company and were recorded as tax recoverable. The outcome of the appeals can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the Company and the appeals could develop in ways not initially expected. Therefore, the Group and the Company continuously assess the development of these matters to determine the recoverability of these amounts. Such assessment involves significant judgement and estimates which are highly subjective. Accordingly, we consider this area to be an area of audit focus.

    As part of our audit procedures, we have reviewed correspondences between the Group and external legal counsel to obtain an understanding of the matters. We have enquired and discussed with management on the developments in legal proceedings and obtained confirmations from the Group's external legal counsel to compare the expert opinions to management's position. We also considered the objectivity, independence and expertise of the legal advisers and we also assessed the basis adopted by the legal advisers in their evaluations of the possible outcome of the litigations and claims.

*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 information included in the Directors' Report and the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on the Directors' Report.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MNRB HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER MATTERS

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

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

**Ahmad Hammami Bin Muhyidin**
No. 03313/07/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 June 2023

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| Gross earned premiums/contributions | 4(a) | **3,315,216** | 2,901,944 | **-** | - |
| Premiums/contributions ceded to reinsurers/retakaful operators | 4(b) | **(477,119)** | (510,425) | **-** | - |
| **Net earned premiums/contributions** | | **2,838,097** | 2,391,519 | **-** | - |
| Investment income | 5 | **316,186** | 265,813 | **27,928** | 84,584 |
| Net realised gains | 6 | **3,646** | 17,093 | **-** | - |
| Net fair value gains/(losses) | 7 | **25,484** | (55,559) | **-** | - |
| Fee and commission income | 8 | **62,671** | 46,642 | **61,317** | 44,802 |
| Other operating revenue | 11 | **45,718** | 34,836 | **171** | 176 |
| **Other revenue** | | **453,705** | 308,825 | **89,416** | 129,562 |
| Gross claims and benefits paid | | **(1,829,654)** | (1,264,065) | **-** | - |
| Claims ceded to reinsurers/retakaful operators | | **506,426** | 192,136 | **-** | - |
| Gross change in contract liabilities | | **(609,113)** | (1,047,662) | **-** | - |
| Change in contract liabilities ceded to reinsurers/retakaful operators | | **(128,212)** | 480,550 | **-** | - |
| **Net claims and benefits** | | **(2,060,553)** | (1,639,041) | **-** | - |
| Fee and commission expenses | 8 | **(638,090)** | (574,395) | **-** | - |
| Management expenses | 9 | **(353,412)** | (297,156) | **(58,661)** | (45,113) |
| Finance costs | | **(21,605)** | (16,845) | **(16,668)** | (16,719) |
| Other operating expenses | 11 | **(6,839)** | (5,376) | **(12)** | (259) |
| Change in expense liabilities | 20(c) | **(17,353)** | (12,631) | **-** | - |
| Tax borne by participants | 12 | **(16,165)** | (12,602) | **-** | - |
| **Other expenses** | | **(1,053,464)** | (919,005) | **(75,341)** | (62,091) |
| Share of results of associates | 17 | **(16,725)** | 2,769 | **-** | - |





| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Profit before surplus attributable to takaful and retakaful participants and taxation** | | **161,060** | 145,067 | **14,075** | 67,471 |
| Surplus attributable to takaful and retakaful participants | 23(a) | **(10,110)** | (17,585) | **-** | - |
| **Profit before zakat and taxation** | | **150,950** | 127,482 | **14,075** | 67,471 |
| Zakat | | **(1,429)** | (1,147) | **-** | - |
| Taxation | 12 | **(30,048)** | (11,913) | **(1,519)** | 2,287 |
| **Net profit for the year attributable to equity holders of the Holding Company** | | **119,473** | 114,422 | **12,556** | 69,758 |
| **Basic and diluted earnings per share attributable to equity holders of the Holding Company (sen)** | 29 | **15.3** | 14.6 | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 MARCH 2023**

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Net profit for the year** | | **119,473** | 114,422 | **12,556** | 69,758 |
| **Other comprehensive income/(loss)** | | | | | |
| **Other comprehensive income/(loss) to be reclassified to income statements in subsequent periods:** | | | | | |
| Effects of post-acquisition foreign exchange translation reserve on investment in associate | | **765** | (1,252) | **-** | - |
| Effects of foreign exchange translation reserve on investment in subsidiary | | **601** | 131 | **-** | - |
| Net losses on financial assets at fair value through other comprehensive income ("FVOCI"): | | | | | |
| Net gains/(losses) on fair value changes | | **14,465** | (34,928) | **73** | (435) |
| Realised gains transferred to income statements | 6 | **(2,852)** | (5,766) | **-** | - |
| Deferred tax relating to net (gains)/ losses on financial assets at FVOCI | 19 | **(2,395)** | 4,933 | **87** | - |
| Other comprehensive (income)/ loss attributable to participants | 23(b) | **(311)** | 4,179 | **-** | - |
| **Other comprehensive income/ (loss) not to be reclassified to income statements in subsequent periods:** | | | | | |
| Net (loss)/gain on fair value changes on financial assets at FVOCI | 18(b) | **(70)** | 2,584 | **-** | - |
| Revaluation of land and buildings | 13 | **3,625** | 4,735 | **-** | - |
| Deferred tax relating to revaluation of land and buildings | 19 | **(407)** | (2,434) | **-** | - |
| Other comprehensive income attributable to participants | 23(c) | **(2,418)** | (1,927) | **-** | - |
| **Total comprehensive income for the year** | | **130,476** | 84,677 | **12,716** | 69,323 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# STATEMENTS OF FINANCIAL POSITION

**AS AT 31 MARCH 2023**

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 13 | **225,802** | 211,213 | **9,204** | 2,720 |
| Intangible assets | 14 | **124,797** | 75,136 | **4,732** | 3,473 |
| Right-of-use assets | 15 | **3,368** | 5,554 | **-** | 1,142 |
| Investments in subsidiaries | 16 | **-** | - | **1,304,476** | 1,304,476 |
| Investments in associates | 17 | **122,164** | 134,094 | **1,957** | 1,957 |
| Financial and other assets | 18 | **10,033,716** | 8,975,983 | **150,046** | 167,602 |
| Deferred tax assets | 19 | **42,618** | 38,330 | **3,998** | 4,435 |
| Reinsurance/retakaful assets | 20 | **850,692** | 952,271 | **-** | - |
| Insurance/takaful receivables | 21 | **706,541** | 614,826 | **-** | - |
| Tax recoverable | 22 | **42,423** | 50,702 | **19,684** | 19,821 |
| Cash and bank balances | | **205,462** | 214,050 | **277** | 371 |
| **Total assets** | | **12,357,583** | 11,272,159 | **1,494,374** | 1,505,997 |
| **Liabilities and participants' funds** | | | | | |
| Participants' funds | 23 | **404,248** | 394,409 | **-** | - |
| Borrowing | 24 | **520,000** | 320,000 | **320,000** | 320,000 |
| Insurance/takaful contract liabilities | 20 | **8,190,384** | 7,487,057 | **-** | - |
| Lease liabilities | 15 | **3,426** | 5,476 | **-** | 1,073 |
| Insurance/takaful payables | 25 | **306,616** | 305,499 | **-** | - |
| Other payables | 26 | **335,669** | 277,793 | **19,473** | 23,162 |
| Deferred tax liabilities | 19 | **4,718** | 3,178 | **-** | - |
| Tax payable | 22 | **7,746** | 5,319 | **-** | - |
| Provision for zakat | | **2,203** | 1,754 | **-** | - |
| **Total liabilities and participants' funds** | | **9,775,010** | 8,800,485 | **339,473** | 344,235 |
| **Equity** | | | | | |
| Share capital | 27 | **738,502** | 738,502 | **738,502** | 738,502 |
| Reserves | | **1,844,071** | 1,733,172 | **416,399** | 423,260 |
| **Total equity attributable to equity holders of the Holding Company** | | **2,582,573** | 2,471,674 | **1,154,901** | 1,161,762 |
| **Total liabilities, participants' funds and equity** | | **12,357,583** | 11,272,159 | **1,494,374** | 1,505,997 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

| | Attributable to equity holders of the Holding Company | | | | | |
|---|---|---|---|---|---|---|
| | | Reserves | | | | |
| | | Non-distributable | | | Distributable | |
| | Share capital RM'000 | Foreign exchange translation reserve RM'000 | Fair value reserve RM'000 | Revaluation reserve RM'000 | Retained profits RM'000 | Total RM'000 |
| **Group** | | | | | | |
| **At 1 April 2021** | 738,502 | 47,087 | 54,971 | 49,201 | 1,528,559 | 2,418,320 |
| Net profit for the year | - | - | - | - | 114,422 | 114,422 |
| Other comprehensive (loss)/income for the year | - | (1,121) | (28,998) | 374 | - | (29,745) |
| Total comprehensive (loss)/income for the year | - | (1,121) | (28,998) | 374 | 114,422 | 84,677 |
| Dividend paid during the year (Note 28) | - | - | - | - | (31,323) | (31,323) |
| **At 31 March 2022** | 738,502 | 45,966 | 25,973 | 49,575 | 1,611,658 | 2,471,674 |
| | | | | | | |
| **At 1 April 2022** | **738,502** | **45,966** | **25,973** | **49,575** | **1,611,658** | **2,471,674** |
| Net profit for the year | **-** | **-** | **-** | **-** | **119,473** | **119,473** |
| Other comprehensive income for the year | **-** | **1,366** | **8,837** | **800** | **-** | **11,003** |
| Total comprehensive income for the year | **-** | **1,366** | **8,837** | **800** | **119,473** | **130,476** |
| Dividend paid during the year (Note 28) | **-** | **-** | **-** | **-** | **(19,577)** | **(19,577)** |
| **At 31 March 2023** | **738,502** | **47,332** | **34,810** | **50,375** | **1,711,554** | **2,582,573** |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.





| | Company | | | |
|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | |
| | Non-distributable | | Distributable | |
| | Share capital RM'000 | Fair value reserve RM'000 | Retained profits RM'000 | Total RM'000 |
| **Company** | | | | |
| **At 1 April 2021** | 738,502 | - | 385,260 | 1,123,762 |
| Net profit for the year | - | - | 69,758 | 69,758 |
| Other comprehensive loss for the year | - | (435) | - | (435) |
| Total comprehensive (loss)/income for the year | - | (435) | 69,758 | 69,323 |
| Dividend paid during the year (Note 28) | - | - | (31,323) | (31,323) |
| **At 31 March 2022** | **738,502** | **(435)** | **423,695** | **1,161,762** |
| Net profit for the year | **-** | **-** | **12,556** | **12,556** |
| Other comprehensive income for the year | **-** | **160** | **-** | **160** |
| Total comprehensive income for the year | **-** | **160** | **12,556** | **12,716** |
| Dividend paid during the year (Note 28) | **-** | **-** | **(19,577)** | **(19,577)** |
| **At 31 March 2023** | **738,502** | **(275)** | **416,674** | **1,154,901** |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

**FOR THE YEAR ENDED 31 MARCH 2023**

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before zakat and taxation | | **150,950** | 127,482 | **14,075** | 67,471 |
| Adjustments for: | | | | | |
| Net fair value (gains)/losses on financial assets at FVTPL | 7 | **(25,484)** | 55,559 | **-** | - |
| (Reversal of impairment losses)/ impairment losses on: | | | | | |
| - financial assets at FVOCI | 11 | **11** | (678) | **1** | - |
| - financial assets at amortised cost | 11 | **(1)** | (630) | **-** | - |
| - sundry receivables | 11 | **1,607** | - | **-** | - |
| - insurance/takaful receivables | 11 | **(1,661)** | (8,108) | **-** | - |
| - buildings | 11 | **(72)** | (346) | **-** | - |
| Depreciation of: | | | | | |
| - property, plant and equipment | 13 | **7,892** | 7,083 | **1,210** | 947 |
| - right-of-use ("ROU") assets | 15 | **1,404** | 1,794 | **1,023** | 1,043 |
| Amortisation of intangible assets | 14 | **20,723** | 12,335 | **1,295** | 1,220 |
| Net amortisation of premiums/ (accretion of discount) on investments | 5 | **4,873** | 3,303 | **-** | (187) |
| Net gains on disposal of: | | | | | |
| - property, plant and equipment | 11 | **(16)** | - | **-** | - |
| - intangible assets | 11 | **(398)** | - | **-** | - |
| Write-off of intangible assets | 11 | **2,197** | 894 | **-** | 248 |
| Tax borne by participants | 12 | **16,165** | 12,602 | **-** | - |
| Interest/profit income | | **(307,526)** | (249,647) | **(4,451)** | (2,770) |
| Dividend income | 5 | **(13,895)** | (19,854) | **(23,477)** | (81,627) |
| Rental income | 11 | **(2,167)** | (2,683) | **-** | - |
| Finance cost on borrowing | | **21,480** | 16,663 | **16,640** | 16,640 |
| Finance costs on lease liabilities | 15 | **125** | 182 | **28** | 79 |
| Realised gains on disposals of investments | 6 | **(3,646)** | (17,093) | **-** | - |
| Share of results of associates | | **16,725** | (2,769) | **-** | - |
| (Loss)/profit from operations before changes in operating assets and liabilities | | **(110,714)** | (63,911) | **6,344** | 3,064 |

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities (cont'd.)** | | | | | |
| Increase in placements with licensed financial institutions, Islamic investment accounts and marketable securities | | **(1,002,756)** | (615,774) | **32,700** | (40,582) |
| Proceeds from disposal/(purchase) investments | | **(58,872)** | (50,230) | **-** | - |
| Decrease in staff loans | | **790** | 1,457 | **390** | 796 |
| Increase in insurance/takaful receivables | | **(90,054)** | (107,852) | **-** | - |
| Decrease/(increase) in other receivables | | **35,636** | (55,026) | **68** | (292) |
| Net change in balances with subsidiaries | | **-** | - | **(27,721)** | 4,807 |
| Increase in gross premium/contribution liabilities | 4 | **76,861** | 85,774 | **-** | - |
| Increase in gross claim liabilities, actuarial liabilities and unallocated surplus | | **609,113** | 1,047,662 | **-** | - |
| Increase in expense liabilities | | **17,353** | 12,631 | **-** | - |
| Increase in participants' fund | | **7,110** | 18,937 | **-** | - |
| Decrease/(increase) in reinsurance/ retakaful assets | | **101,579** | (495,036) | **-** | - |
| Increase in insurance/takaful payables | | **1,117** | 103,328 | **-** | - |
| Increase in other payables | | **57,981** | 47,111 | **8,567** | 1,353 |
| Taxes and zakat paid | | **(42,037)** | (29,343) | **(858)** | (185) |
| Interest/profit received | | **302,427** | 252,012 | **4,505** | 2,551 |
| Dividends received | | **17,078** | 20,210 | **477** | 627 |
| Rental received | | **2,146** | 2,547 | **-** | - |
| Net cash (used in)/generated from operating activities | | **(75,242)** | 174,497 | **24,472** | (27,861) |

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 13 | **(18,621)** | (9,810) | **(7,694)** | (2,171) |
| Purchase of intangible assets | 14 | **(85,647)** | (16,560) | **(2,554)** | (1,803) |
| Dividends received from subsidiaries and associate | 5 | **-** | - | **23,000** | 81,000 |
| Proceeds from disposal of property, plant and equipment | | **16** | 12 | **-** | - |
| Proceeds from disposal of intangible assets | | **13,464** | - | **-** | - |
| Net cash (used in)/generated from investing activities | | **(90,788)** | (26,358) | **12,752** | 77,026 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | 24 | **200,000** | - | **-** | - |
| Payment of lease liabilities | 15 | **(1,501)** | (1,892) | **(1,101)** | (1,121) |
| Interest/profit paid | | **(21,480)** | (16,663) | **(16,640)** | (16,640) |
| Dividends paid | 28 | **(19,577)** | (31,323) | **(19,577)** | (31,323) |
| Net cash generated from/(used in) financing activities | | **157,442** | (49,878) | **(37,318)** | (49,084) |
| **Cash and bank balances** | | | | | |
| Net (decrease)/increase during the year | | **(8,588)** | 98,261 | **(94)** | 81 |
| At beginning of the year | | **214,050** | 115,789 | **371** | 290 |
| At end of the year | | **205,462** | 214,050 | **277** | 371 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

**31 MARCH 2023**

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 12th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The Company is an investment holding company, principally engaged in the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are as disclosed in Note 16. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 1,042 and 256 (2022: 981 and 208) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 22 June 2023.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

At the beginning of the current financial year, the Group and the Company had adopted the amended MFRSs applicable for annual financial periods beginning on or after 1 January 2022, as fully described in Note 2.27.

As at the end of the financial year, the reinsurance/retakaful and takaful subsidiaries have met the minimum capital requirements as prescribed by the Risk-Based Capital for Insurer ("RBC") Framework and Risk-Based Capital for Takaful Operators ("RBCT") Framework issued by Bank Negara Malaysia ("BNM").

**Basis of measurement**

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position, only when there is a legally enforceable right to offset the recognised amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense will not be offset in the income statements and the statements of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group and of the Company.

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

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

**Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Accounting period

For the general reinsurance business, the Group adopts quarterly accounting periods ending on 31 March, 30 June, 30 September and 31 December, insofar as the underwriting income and outgo for Market Cessions business is concerned. This is to correspond with the ceding companies' accounting periods.

Underwriting income and outgo in respect of other businesses and all other income and expenditure are for the 12 months period ended 31 March 2023.

### 2.3 Subsidiaries, associates and basis of consolidation

**(a) Subsidiaries**

A subsidiary is an entity over which the Company has all of the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect the amount of its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Company's voting rights and potential voting rights.





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

### 2.3 Subsidiaries, associates and basis of consolidation (cont'd.)

**(a) Subsidiaries (cont'd.)**

In the Company's financial statements, investments in subsidiaries are stated at cost less any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statements.

**(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, all intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the acquisition method. The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

**(c) Takaful and retakaful operations and funds**

Under the concept of takaful/retakaful, participants/cedants 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, the takaful/retakaful subsidiaries manage the general and family takaful/retakaful funds in line with the principles of Wakalah (agency). Under the Wakalah model, takaful/retakaful subsidiaries are not participants in the funds but manage the funds (including the relevant assets and liabilities) towards the purpose outlined above.

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

### 2.3 Subsidiaries, associates and basis of consolidation (cont'd.)

#### (c) Takaful and retakaful operations and funds (cont'd.)

In accordance with the Islamic Financial Services Act ("IFSA") 2013, the assets and liabilities of the takaful/retakaful funds are segregated from those of the shareholder's funds of the takaful/retakaful subsidiaries, 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 and retakaful funds are consolidated with those of the shareholders' funds to represent the control possessed by the takaful/retakaful subsidiaries over the respective funds.

In preparing the Group financial statements, the balances and transactions of the shareholder's funds of takaful/retakaful subsidiaries were amalgamated and combined with those of the takaful and retakaful funds respectively. Interfund assets and liabilities, income, expenses and cash flows are eliminated in full during amalgamation and consolidation.

The takaful and retakaful funds of the takaful/retakaful subsidiaries are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases.

#### (d) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policies decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investments in the associates. The investments in associates are accounted for using the equity method from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates or the investments become subsidiaries.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Subsidiaries, associates and basis of consolidation (cont'd.)

#### (d) Associates (cont'd.)

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

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

In the Company's financial statements, investments in associates are stated at cost less any accumulated impairment losses.

On disposal of such investments, the difference between net disposal proceeds and the carrying amount is included in the income statements.

### 2.4 Business combination from third party

Business combinations involving entities not under common control are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments ("MFRS 9"), is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each financial year end with changes in fair value recognised in income statements.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

OUR BUSINESS
PERFORMANCE & OUTLOOK
FINANCIAL REVIEW
GOVERNANCE
FINANCIAL REPORT
OTHER INFORMATION

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

### 2.4 Business combination from third party (cont'd.)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statements.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

### 2.5 General reinsurance, takaful and retakaful underwriting results

The general reinsurance, takaful and retakaful underwriting results are determined after taking into account premiums/contributions, retrocession/retakaful/retrotakaful, commissions, movements in premium/contribution liabilities, net claims incurred and wakalah fees.

The general takaful and retakaful funds are maintained in accordance with the IFSA 2013 and consist of the accumulated surplus/deficit in the funds, fair value reserves and revaluation surplus. Any deficit will be made good by the shareholder's fund via benevolent profit/interest-free loan or Qard.

In the general takaful and retakaful funds, the surplus distributable to the participants is determined after deducting retakaful/retrotakaful costs, movements in contribution liabilities, commissions, net claims incurred, wakalah fees, expenses, taxation and surplus administration charges. The surplus may be distributed to the shareholders and participants in accordance with the terms and conditions of the respective certificates or as prescribed by the Group Shariah Committee ("GSC").

General reinsurance/takaful/retakaful revenue consists of gross premiums/contributions and investment income accounted for on an accrual basis. As for general takaful and retakaful, the revenue is on accrual basis as approved by the GSC. Unrealised income is deferred and receipts in advance are treated as liabilities in the statement of financial position.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.5 General reinsurance, takaful and retakaful underwriting results (cont'd.)

**(a) Premium and contribution recognition**

Gross premiums/contributions are recognised in a financial year in respect of risks assumed during the particular financial year. Gross premiums/contributions include premium/contribution income in relation to direct general business, inwards facultative business, inwards proportional treaty reinsurance/retakaful business and inwards non-proportional treaty reinsurance/retakaful business.

Direct and facultative inwards contributions are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. Contributions are recognised in a financial year in respect of risks assumed during that particular financial year.

Inwards proportional treaty premiums/contributions are recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured/covered at various inception dates of these risks and contractually accounted for under the terms of the proportional reinsurance/retakaful treaty.

Premium/contribution income on inwards non-proportional treaties, which cover losses occurring during a specified treaty period, are recognised based on the contractual premiums/contributions already established at the start of the treaty period under the terms and conditions of each contract.

**(b) Premium and contribution liabilities**

Premium/contribution liabilities represent the future obligations on reinsurance/retakaful contracts as represented by premiums/contributions received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the term of the reinsurance/retakaful contracts and recognised as earned premium/contribution.

Contribution liabilities represent the fund'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 recognised as earned contribution.

Premium/contribution liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR")/unearned contribution reserves ("UCR") respectively for all lines of business or the best estimate value of the unexpired risk reserves ("URR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the end of the financial year.

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

### 2.5 General reinsurance, takaful and retakaful underwriting results (cont'd.)

#### (b) Premium and contribution liabilities (cont'd.)

##### (i) Unexpired risk reserves

The URR is a prospective estimate of the expected future payments arising from future events insured or covered under policies or contracts in force as at the end of the financial year and also includes allowance for expenses, including overheads and costs of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies or contracts and settling the relevant claims, and allowing for expected future premium/contribution refunds.

URR is estimated via an actuarial valuation performed by the Appointed Actuaries, using a mathematical method of estimation similar to Incurred But Not Reported ("IBNR") claims.

##### (ii) Unearned premium and contribution reserves

The UPR/UCR represent the portion of the net premiums/contributions of insurance/takaful contracts written that relate to the unexpired periods of the contracts at the end of the financial year. The methods of computation of UPR/UCR are as follows:

- For inwards proportional treaty reinsurance/retakaful business, UPR/UCR is computed on the 1/8th method commencing from the quarter corresponding to the reporting quarter of the treaty statement;
- For inwards non-proportional treaty reinsurance/retakaful business, UPR/UCR is computed at 50% of the last quarter Minimum Deposit Premiums/Contributions received;
- For inwards facultative reinsurance/retakaful business, UPR/UCR is computed on the 1/8th method commencing from the date of inception;
- Time apportionment method for all classes of general takaful business within Malaysia except Long Term Fire, Mortgage Reducing Personal Accident, Marine, Aviation and Cargo;
- Geometric method for Long Term Fire and Mortgage Reducing Personal Accident; and
- 25% method for Marine, Aviation and Cargo.





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

### 2.5 General reinsurance, takaful and retakaful underwriting results (cont'd.)

#### (c) Claim liabilities

The amount of outstanding claims is the best estimate value of claim liabilities, which includes provision for claims reported, claims incurred but not enough reserved ("IBNER") and IBNR claims together with related expenses and reductions for salvage and other recoveries as well as a PRAD calculated at 75% confidence level at the end of the financial year. Liabilities for outstanding claims are recognised when a claimable event occurs and/or as advised/notified. IBNER and IBNR claims are based on an actuarial valuation by the Appointed Actuaries, using a mathematical method of estimation based on, amongst others, actual claims development patterns and the additive loss ratio method. Where trends are not available or may not be suitable to explain future trend, the Expected Loss Ratio method is adopted. The valuation of claim liabilities is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contracts/certificates are expired, are discharged or are cancelled.

#### (d) Liability adequacy test

At each financial year end, the Group reviews all insurance/takaful contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to insurance/takaful contracts issued. In performing this review, the Group compares all contractual cash flows against the carrying value of insurance/takaful contract liabilities. Any deficiency is recognised in the income statements.

The estimation of claim liabilities and premium/contribution liabilities performed at the financial year end is part of the liability adequacy tests performed by the Group.

#### (e) Acquisition costs and commission expenses

The acquisition costs and commission expenses, which are costs directly incurred in acquiring and renewing reinsurance/takaful/retakaful business, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

### 2.6 Family takaful and retakaful underwriting results

The family takaful and retakaful underwriting results are determined after taking into account contributions, retakaful/retrotakaful costs, commissions, net benefits incurred and wakalah fees.

The family takaful and retakaful funds are maintained in accordance with the requirements of the IFSA 2013 and consist of the accumulated surplus/deficit in the funds, fair value reserves and revaluation surplus. The family takaful and retakaful funds surplus/deficit is determined by an annual actuarial valuation of the funds. Any actuarial deficit in the family takaful and retakaful funds will be made good by the shareholder's fund via a Qard, a benevolent profit-free loan.



OUR BUSINESS
PERFORMANCE & OUTLOOK
FINANCIAL REVIEW
GOVERNANCE
FINANCIAL REPORT
OTHER INFORMATION

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

### 2.6 Family takaful and retakaful underwriting results (cont'd.)

In the family takaful and retakaful funds, the surplus distributable to the participants is determined after deducting benefits paid and payable, retakaful/retrotakaful costs, reserves, commission expenses, wakalah fee expenses, taxation and surplus administration charge transferred to the shareholder's fund. The surplus may be distributed to the shareholders and participants in accordance with the terms and conditions of the respective contracts/certificates or as prescribed by the GSC.

Family takaful/retakaful funds' revenue consists of gross contributions and investment income. Revenue is accounted for on accrual basis and as approved by the GSC. Unrealised income is deferred and receipts in advance are treated as liabilities on the statement of financial position.

**(a) Contribution recognition**

Takaful contribution is recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. First year contribution is recognised on the assumption of risks and subsequent takaful contributions are recognised on due dates. Takaful contributions outstanding at the financial year end are recognised as income for the period provided they are within the grace period allowed for payment and there are sufficient funds available in the participants' accounts to cover such contributions due.

Retakaful contributions are recognised in respect of risks assumed during a particular financial period. Inward treaty retakaful contributions are recognised on the basis of statements received from ceding companies.

**(b) Provision for outstanding claims**

Claims and benefits paid that are incurred during the financial year are recognised when a claimable event occurs and/or the Group is notified.

Claims and provisions for claims arising from family takaful certificates, including settlement costs, are accounted for using the case basis method, and for this purpose, the benefits payable under a takaful certificates are recognised as follows:

(i) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on those due dates; and

(ii) Death, surrender and other benefits without due dates are treated as claims payable on receipt of intimation of death of the certificate holder or occurrence of contingency covered.





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

### 2.6 Family takaful and retakaful underwriting results (cont'd.)

**(c) Certificate liabilities**

Family takaful certificate liabilities are recognised when certificates are in-force and contributions are charged. Liabilities relating to benefits payable of the family retakaful fund are recognised as advised by ceding companies.

For a one-year family certificate or a one-year extension to a family certificate covering contingencies other than life or survival, the liabilities for such family takaful certificates comprise contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

Liabilities of family takaful business are determined in accordance with valuation guidelines for takaful operators issued by Bank Negara Malaysia ("BNM"). All family takaful liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the certificates, discounted at the appropriate risk discount rate. This method is known as the gross contribution valuation method. In the case of a family certificate where a part of, or the whole of, the contributions are accumulated in a fund, the accumulated amounts as declared to the participants are set as the liabilities. Zeroisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

The family takaful certificate liabilities are derecognised when the certificates expire, are discharged or are cancelled. At each financial year end, an assessment is made on whether the recognised family takaful certificate liabilities are adequate by performing a liability adequacy test as disclosed in Note 2.6(e).

In respect of the family takaful and retakaful risk fund, the expected future cash flows of benefits are determined using best estimate of the expenditure required together with related expenses less recoveries to settle the obligation with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of contract reserves at a 75% confidence level is secured. The valuation of the actuarial liabilities is performed by the Appointed Actuaries using a mathematical method of estimation based on, amongst others, actual claims development patterns. For investment-linked business, the fund value is treated as liabilities.

Surplus from the difference between the value of the family takaful fund and the liabilities, including retained surplus, will be distributed to the participants after deducting the Group's surplus administration charge, if applicable.

If the difference between the value of the family takaful fund and the liabilities results in a deficit, the Group will arrange a Qard which will be repaid to the shareholder's fund when it returns to a surplus position.

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

### 2.6 Family takaful and retakaful underwriting results (cont'd.)

**(d) Creation/cancellation of units of family takaful fund**

Amounts received for units creation represent contributions paid by participants or unitholders as payment for new certificates or subsequent payments to increase the amount of the certificates. Creation/cancellation of units are recognised in the financial statements at the next valuation date, after the request to purchase/sell units are received from the participants or unitholders.

**(e) Liability adequacy test**

At each financial year end, the Group reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Group compares all contractual cash flows against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statements.

The estimation of actuarial liabilities performed at the financial year end is part of the liability adequacy tests performed by the Group.

**(f) Net benefit incurred**

The net certificate benefits comprise of all payments to participants, comprising claims and participant fund values payable upon takaful events, or surrender and withdrawals.

**(g) Wakalah fee expense**

Wakalah fee expense are recognised as and when the amount of contribution can be reliably measured in accordance with the principles of Shariah.

**(h) Commission expenses**

Commission expenses, which are costs directly incurred in securing contributions on retakaful business, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Commission expenses are borne by the family retakaful fund at an agreed percentage of the gross contribution.





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

### 2.7 Shareholder's fund relating to takaful and retakaful businesses

**(a) Commission expenses**

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Commission expenses are recognised in the income statements at an agreed percentage for each certificates underwritten. This is in accordance with the principles of Wakalah as approved by the GSC and as agreed between the participants/cedants and the takaful and retakaful subsidiaries.

**(b) Expense liabilities**

The expense liabilities of shareholder's fund consist of expense liabilities relating to the management of the general retakaful fund which are based on estimations performed by the Appointed Actuaries. The expense liabilities are released over the term of the retakaful certificates and are recognised in the income statements.

The expense liabilities are reported as the higher of the aggregate of the provision for Unearned Wakalah Fees ("UWF") and the best estimate value of Unexpired Expense Reserves ("UER") as at the end of the financial year including a PRAD calculated at the 75% confidence level at the total fund level.

**(i) Expense liabilities of general takaful and retakaful funds**

The expense liabilities of the general takaful and retakaful funds are reported at the higher of the aggregate of the reserves for unearned wakalah fees ("UWF") and the best estimate value of the provision for unexpired expense reserves ("UER") and a PRAD at a 75% confidence level at the end of the financial year.

**Unexpired expense reserves**

The UER is determined based on the expected future expenses payable by the shareholder's funds in managing the general takaful and retakaful funds for the full contractual obligation of the takaful and retakaful certificates as at the end of the financial year, less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's funds that can be determined with reasonable certainty, including a PRAD calculated at a 75% confidence level. The method used to value the UER is consistent with the method used in estimating the URR as disclosed in Note 2.5(b)(i).

The UWF represent the portion of wakalah fee income allocated for management expenses of general takaful/retakaful certificates that relate to the unexpired periods of certificates at the end of the financial year. The method used in computing UWF are consistent with the method used to reflect the actual UCR as detailed in Note 2.5(b)(ii). For short term certificates, in determining the UWF at the end of the financial year, 50% of the UWF is recognised in the financial year in which the certificates are issued. The remaining 50% of the UWF is transferred to the UWF reserves and is recognised in the following financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023



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

### 2.7 Shareholder's fund relating to takaful and retakaful businesses (cont'd.)

#### (b) Expense liabilities (cont'd.)

##### (ii) Expense liabilities of family takaful and retakaful funds

The valuation of expense liabilities in relation to certificates of the family takaful and retakaful funds is conducted separately by the Appointed Actuaries. The method used to value expense liabilities is consistent with the method used to value takaful and retakaful liabilities of the corresponding family takaful and retakaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's funds in managing the takaful and retakaful funds for the full contractual obligation of the takaful and retakaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's funds that can be determined with reasonable certainty, are taken into consideration. The estimation includes a PRAD at a 75% confidence level.

##### (iii) Liability adequacy test

At each financial year end, the Group reviews the expense liabilities to ensure that the carrying amount is sufficient or adequate to cover the obligations of the Group for all managed takaful and retakaful certificates. In performing this review, the Group considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statements.

### 2.8 Product classification

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

A reinsurance/retakaful/insurance/takaful contract/certificate is a contract/certificate under which the reinsurance and takaful subsidiaries have accepted significant insurance/takaful risk from another party by agreeing to compensate the party if a specified uncertain future event adversely affects the party. As a general guideline, the reinsurance and takaful subsidiaries determine whether significant insurance/underwriting risk has been accepted by comparing claims/benefits payable on the occurrence of the event with claims/benefits payable if the event had not occurred. For the takaful subsidiary, if the ratio of the former exceeds the latter by 5% or more, the takaful risk accepted is deemed to be significant.

Conversely, investment contracts/certificates are those contracts that transfer financial risk with no significant insurance/takaful risk.



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

### 2.8 Product classification (cont'd.)

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

When takaful certificates contain both a financial risk component and a significant underwriting risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the underwriting risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit in the statement of financial position similar to investment contracts.

Based on the Group's product classification review, all products meet the definition of a takaful certificate.

### 2.9 Reinsurance and retakaful assets

The reinsurance/retakaful and takaful subsidiaries cede insurance/takaful risk in the normal course of business. Ceded reinsurance/retakaful arrangements do not relieve the reinsurance/retakaful and takaful subsidiaries from their obligations to cedants/participants. For both ceded and assumed reinsurance/retakaful businesses, premiums/contributions and claims/benefits are presented on a gross basis.

Reinsurance and retakaful arrangements entered into by the reinsurance/retakaful and takaful subsidiaries that meet the classification requirements of insurance/takaful contracts/certificates as described in Note 2.8 are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance and retakaful assets represent amounts recoverable from reinsurers and retakaful operators for insurance contract and takaful certificate liabilities which have yet to be settled at the financial year end. Amounts recoverable from reinsurers and retakaful operators are measured consistently with the amounts associated with the underlying insurance contracts and takaful certificates and the terms of the relevant reinsurance and retakaful arrangement.

At each financial year end, the reinsurance/retakaful and takaful subsidiaries assess whether objective evidence exists that reinsurance and retakaful assets are impaired. Objective evidence of impairment for reinsurance and retakaful assets are similar to those noted for insurance and takaful receivables. If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest/profit rate. The impairment loss is recognised in the income statements. Reinsurance and retakaful assets are derecognised when the contractual rights expire or are extinguished or when the contract is transferred to another party.

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

### 2.9 Reinsurance and retakaful assets (cont'd.)

Retakaful certificates that do not transfer significant underwriting risk are accounted for directly in the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the retakaful operators. Investment income on these contracts are accounted for using the effective yield method when accrued.

### 2.10 Property, plant and equipment and depreciation

#### (a) Recognition and measurement

All items of property, plant 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 Group and the Company and the cost of the item can be measured reliably. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, whilst properties are stated at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

In respect of freehold land and buildings, valuations are performed with sufficient frequency to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the financial year end.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statements, in which case the increase is recognised in the income statements. A revaluation deficit is recognised in the income statements, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of property, plant and equipment, the difference between net proceeds and the carrying amount is recognised in the income statements and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

Only assets costing above RM300 will be capitalised. Assets costing RM300 and below are charged to the income statements in the year of purchase.

Assets costing more than RM300 up to a maximum of RM1,000 are written down to RM1 in the year of purchase. The write down is charged to the income statements as depreciation.





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

### 2.10 Property, plant and equipment and depreciation (cont'd.)

#### (b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and their cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

#### (c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Work in progress is also not depreciated as it is 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. During the period in which the asset is not yet available for use, it is tested for impairment annually.

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

| | |
|---|---|
| Buildings | 2% to 4% |
| Computer equipment | 10% to 33.3% |
| Office equipment | 10% to 33.3% |
| Furniture and fittings | 10% (2022: 10% to 15%) |
| Motor vehicles | 20% |

The residual values, useful lives and depreciation method are reviewed at the end of each financial year to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

#### (d) Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. On disposal of equipment, the difference between net proceeds and the carrying amount is recognised in the income statements and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

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

### 2.11 Intangible assets

All intangible assets are initially recorded at cost. Subsequent to recognition, intangible assets are stated at cost less any accumulated amortisation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in the income statements.

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. The preferred partnership fees are amortised based on actual contribution received over total committed contribution or a straight-line basis over the estimated economic useful lives depending on the pattern in which the future economic benefit are expected to be consumed by the Group. Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually at the end of each financial year. Amortisation is charged to the income statements.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

#### (a) Software development in progress

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

#### (b) Computer software and licences

The useful lives of computer software and licences are considered to be finite because computer software and licences are susceptible to technological obsolescence.

The acquired computer software and licences are amortised at 10% to 33% using the straight-line method over their estimated useful lives. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed annually at the end of each financial year.





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

### 2.11 Intangible assets (cont'd.)

#### (c) Preferred partnership fee in relation to bancatakaful arrangement

The preferred partnership fee represents an upfront fee paid by the Group to the financial institutions under a 5-years preferred bancatakaful arrangement.

Following the initial recognition of the cost of preferred partnership fee, the fee is amortised based on the straight-line method, until the expiry of the contract which is within five (5) years. Upon the expiry of the contract, if the total projected production is not met, the contract may be extended for an additional period of time as mutually agreed between the Group and the financial institutions.

### 2.12 Financial assets

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

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the income statements.

#### (a) Classification and subsequent measurement

The classification of financial assets at initial recognition depends on the Group and the Company's business model for managing the financial assets and the financial asset's contractual cash flow characteristic, as described in Notes 2.12(b) and 2.12(c). All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023



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

### 2.12 Financial assets (cont'd.)

#### (a) Classification and subsequent measurement (cont'd.)

Despite the foregoing, the Group and the Company may make the following irrevocable election/ designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at AC (for debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (for debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (for equity instruments); or
- Financial assets at FVTPL.

##### (i) Financial assets at AC

Debt instruments that meet the following conditions are measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest/profit method and are subject to impairment. Gains and losses are recognised in income statements when the asset is derecognised, modified or impaired.



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

### 2.12 Financial assets (cont'd.)

#### (a) Classification and subsequent measurement (cont'd.)

##### (i) Financial assets at AC (cont'd.)

The effective interest/profit method is a method of calculating the amortised cost of a debt instrument and of allocating interest/profit income over the relevant period. For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest/profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest/profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest/profit rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest/profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest/profit income is recognised using the effective interest/profit method for debt instruments measured subsequently at AC and at FVOCI. For financial assets other than purchased or originated credit impaired financial assets, interest/profit income is calculated by applying the effective interest/profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit impaired, interest/profit income is recognised by applying the effective interest/profit rate to the amortised cost of the financial asset. If, in subsequent financial years, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest/profit income is recognised by applying the effective interest/profit rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Group and the Company recognise interest/profit income by applying the credit adjusted effective interest/profit rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

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

### 2.12 Financial assets (cont'd.)

#### (a) Classification and subsequent measurement (cont'd.)

**(ii) Financial assets at FVOCI with recycling of cumulative gains and losses**

Debt instruments that meet the following conditions are measured at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding.

For debt instruments at FVOCI, interest/profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statements and computed in the same manner as for financial assets measured at AC. The remaining fair value changes are recognised in Other Comprehensive Income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the income statements.

**(iii) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition**

Upon initial recognition, the Group and the Company can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in equity instrument within the scope of MFRS 9 that is neither held for trading nor is contingent consideration recognised by an acquirer in a business combination. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).





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

### 2.12 Financial assets (cont'd.)

#### (a) Classification and subsequent measurement (cont'd.)

**(iii) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (cont'd.)**

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve. Gains and losses on these financial assets are never recycled to the income statements. Dividends are recognised as investment income in the income statements when the right to receive payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

**(iv) Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as financial assets at FVTPL, unless the Group and the Company designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVOCI on initial recognition.
- Debt instruments that fail the SPPI test are classified as financial assets at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as financial assets at FVTPL upon initial recognition if such designation eliminates or significantly reduces an accounting mismatch that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has designated debt instruments under the family takaful/retakaful fund as financial assets at FVTPL.

#### (b) Business model assessment

The Group and the Company determine their business model at the level that best reflects how they manage groups of financial assets to achieve their business objectives.

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

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

### 2.12 Financial assets (cont'd.)

#### (b) Business model assessment (cont'd.)

The Group and the Company's business models are not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's and the Company's key management personnel;
- How participants are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest/profit income, maintaining a particular interest/profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

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

The Group and the Company assess their business models at each financial year in order to determine whether the models have changed since the preceding period. Changes in business model are not expected to be frequent but should such an event take place, it must be:

- Determined by the Group's and the Company's key management as a result of external or internal changes;
- Significant to the Group's and the Company's operations; and
- Demonstrable to external parties.

A change in the business model will occur only when the Group and the Company begin or cease to perform an activity that is significant to their operation. Changes in the objective(s) of the business model must be effected before the reclassification date.





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

### 2.12 Financial assets (cont'd.)

#### (c) The Solely Payments of Principal and Interest ("SPPI") Test

The Group and the Company assess the contractual terms of financial assets 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/accretion 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 Group and the Company apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/profit rate is set.

#### (d) Reclassifications

The Group and the Company do not reclassify their financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group and the Company acquire, dispose of, or terminate a business line.

#### (e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### (f) Derecognition of financial assets

A financial asset is derecognised when:

(i) the contractual right to receive cash flows from the asset has expired; or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

   (a) the Group and the Company have transferred substantially all the risks and rewards of the asset; or

   (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

### 2.12 Financial assets (cont'd.)

**(f) Derecognition of financial assets (cont'd.)**

The Group and the Company consider control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group and the Company have neither transferred nor retained substantially all the risks and rewards and have retained control of the asset, the asset continues to be recognised only to the extent of the Group's and the Company's continuing involvement, in which case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

When assessing whether or not to derecognise an instrument, amongst others, the Group and the Company consider the following factors:

- Change in currency of the debt instrument;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest/profit rate, the Group and the Company record a modification gain or loss.

### 2.13 Fair value measurement

The Group and the Company measure financial instruments such as financial assets at FVTPL, financial assets at FVOCI and non-financial assets such as self-occupied properties at fair value at each financial year end. Also, fair values of financial instruments measured at amortised cost are disclosed in Notes 18 and 38.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability; or

(b) In the absence of a principal market, in the most advantageous market for the asset or liability.





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

### 2.13 Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs that are based on observable market data, either directly or indirectly
Level 3 - Inputs that are not based on observable market data

An annual valuation is performed to reflect the fair value of the Group's self-occupied properties. At the end of each financial year, accredited independent valuers having appropriate recognised professional qualification are appointed to perform the annual valuation. The valuation techniques used by the accredited independent valuers are verified to ensure that they are in accordance with the requirements of MFRS 13 Fair Value Measurement.

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy 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 financial year. The fair value hierarchy of assets that are measured at fair value and/or for which fair value are disclosed is presented in Note 38.

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

### 2.14 Impairment of assets

#### (i) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECL") for all financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the appropriate effective interest/profit rate.

The ECL model applies to all financial assets held by the Group and the Company except for:

- Financial assets measured at FVTPL;
- Equity instruments; and
- Malaysian government securities ("MGS/GII") which are considered low credit risk assets as the Malaysian federal government has strong capacity in repaying the instruments upon maturity. In addition, there is no past historical loss experiences arising from these government securities.

The ECL model also applies to irrevocable loan commitments and financial guarantee contracts, which will include loans, advances, financing, insurance/takaful receivables and contract assets under MFRS 15 Revenue from Contracts with Customers.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

| | Stage 1<br>Performing | Stage 2<br>Non Performing | Stage 3<br>Non Performing |
|---|---|---|---|
| ECL Approach | 12-months 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 (CONT'D.)

### 2.14 Impairment of assets (cont'd.)

#### (i) Financial assets (cont'd.)

**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.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of default ("PD")

  The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

- Exposure at default ("EAD")

  The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the financial year end, including repayments of principal and interest/profit, whether scheduled by contract or otherwise, and accrued interest from missed payments.

- Loss given default ("LGD")

  The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group and the Company would expect to receive. It is usually expressed as a percentage of the EAD.

In its ECL models, the Group and the Company rely on a broad range of forward-looking information as economic inputs, such as government debt, consumer sentiment index, residential property index, consumer price index, net foreign direct investment, Gross Domestic Product ("GDP"), inflation, currency rate, base lending rate and stock index.

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

### 2.14 Impairment of assets (cont'd.)

#### (i) Financial assets (cont'd.)

**Forward-looking information and ECL measurement (cont'd.)**

(a) Debt instruments/sukuks at AC and FVOCI

In accordance to the 'three-bucket' 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 experienced a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

The ECLs for debt instruments/sukuks at AC and at FVOCI do not reduce the carrying amount of these financial assets in the statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to income statements. The accumulated gain recognised in OCI is recycled to the income statements upon derecognition of the assets.

(b) Insurance/takaful receivables

The impairment on insurance/takaful receivables is measured using the simplified approach at initial recognition and throughout its lifetime at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the insurance/takaful receivables are grouped based on level of business segregation and different reinsurance/retakaful premium/contribution type's arrangement respectively. Impairment is calculated on the total outstanding balances including those balances aged from current to 12 months and above. Roll rates are applied on the outstanding balances in the ageing buckets which form the base of the roll rates. A forward looking factor is taken into consideration in the calculation of ECL.

For insurance/takaful receivables and reinsurance deposits of the reinsurance subsidiary, the Group considers the balances to be in default when contractual payments are two years past due and eighteen months past due respectively. As for the takaful receivables of the takaful subsidiaries, receivables where the contractual payments are one year past due are considered to be in default.





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

### 2.14 Impairment of assets (cont'd.)

#### (ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each financial year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (or groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each financial year for any indications that the losses have decreased or no longer exist.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the period in which the reversals are recognised.

#### (iii) Write-offs

**(a) Non-financial assets**

An estimate is made for doubtful debts based on review of all outstanding balances as at reporting date. Any financial assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business will be written down to an amount which they might be expected so to realise. The amount written off for bad debts in the financial statements of the Group and the Company are expensed to income statements as disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023



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

### 2.14 Impairment of assets (cont'd.)

#### (iii) Write-offs (cont'd.)

##### (b) Financial assets

Non-financial assets are written off either partially or in their entirety only when the Group and the Company have stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

### 2.15 Measurement and impairment of Qard

Any deficits in the takaful/retakaful funds are made good via a benevolent profit-free loan or Qard, granted by the shareholder's funds to the takaful/retakaful funds. The Qard is stated at cost less any impairment losses in the shareholder's funds. In the takaful/retakaful funds, the Qard is stated at cost.

The Qard shall be repaid from future surpluses of the takaful/retakaful funds.

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the takaful/retakaful funds to determine whether there is any objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised, is recognised in the income statements.

Impairment losses are subsequently reversed in the income statements if objective evidence exists that the Qard is no longer impaired.

### 2.16 Share capital and dividend expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of their liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions, which have an insignificant risk of changes in value. The statements of cash flows have been prepared using the indirect method.



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

### 2.18 Insurance and takaful receivables

Insurance/takaful receivables are amounts receivable under the contractual terms of a reinsurance/retakaful/takaful contract. On initial recognition, insurance/takaful receivables are measured at fair value based on the consideration receivable. Subsequent to initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective interest/profit method.

The Group recognises an allowance for ECL for insurance receivables and recognises that impairment loss in the income statements. The basis for recognition of such impairment loss is as described in Note 2.14(i).

Insurance/takaful receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Group has also substantially transferred all risks and rewards of ownership.

### 2.19 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. Leases arise when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (i) The Group and the Company as lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities, representing the liability to make lease payments and right-of-use ("ROU") assets representing the right to use the underlying assets.

##### (a) Right-of-use assets

The Group and the Company recognise ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. All ROU assets recognised by the Group and the Company have shorter lease terms than their estimated useful lives.

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

### 2.19 Leases (cont'd.)

#### (i) The Group and the Company as lessee (cont'd.)

##### (a) Right-of-use assets (cont'd.)

The ROU assets are also subject to impairment as disclosed under Note 2.14(ii).

The ROU assets are presented as a separate line in the statements of financial position.

##### (b) Lease liabilities

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

In calculating the present value of lease payments, these are discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use the incremental borrowing rate ("IBR"). After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest/profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group and the Company did not make any such adjustments during the financial year.

The lease liability is presented as a separate line in the statements of financial position.

##### (c) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to their short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).





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

### 2.19 Leases (cont'd.)

#### (i) The Group and the Company as lessee (cont'd.)

##### (c) Short-term leases and leases of low-value assets (cont'd.)

The Group and the Company also apply the lease of low-value assets recognition exemption to leases of equipment that are considered to be of low value (such as laptops, personal computers, small items of office furniture and telephones). Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

#### (ii) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### 2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and/or the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### (a) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the income statements. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at FVTPL nor were there any financial liabilities held for trading during and at the end of the financial year.

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

### 2.20 Financial liabilities (cont'd.)

#### (b) Derivatives financial instruments

The Group and the Company use derivative financial instruments such as forward rate contracts to manage certain exposures to fluctuations in foreign currency exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### (c) Other financial liabilities

The Group's and the Company's other financial liabilities include borrowings, lease liabilities, insurance/takaful payables and other payables.

Insurance/takaful payables and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method.

For other financial liabilities, gains and losses are recognised in the income statements 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 the income statements.

### 2.21 Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

### 2.22 Income tax and deferred tax

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





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

### 2.22 Income tax and deferred tax (cont'd.)

Deferred tax is provided for, using the liability method, on temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the financial year. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income.

### 2.23 Employee benefits

#### (a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. 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 balances. 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 Group and the Company make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group and the Company also make additional contributions to the EPF for eligible employees by referring to their earnings. Such contributions are recognised as an expense in the income statements as incurred.

#### (c) Employees' terminal benefits

As required by the previous law in the United Arab Emirates, the Group has made provision for terminal benefits for local employees of its Dubai subsidiary, based on the employees' salaries and number of years of service. The terminal benefits are paid to the employees on termination or completion of their terms of employment.

The Group has obtained an exemption from the requirements of the DIFC Employment Regulations to pay end of service benefits contributions on behalf of its expatriate employees into a DIFC Employee Workplace Savings ("DEWS") plan and makes contributions to a pension scheme, the EPF in Malaysia as described in Note 2.23(b).

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023



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

### 2.24 Foreign currencies

**(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

**(b) Foreign currency transactions and balances**

In preparing the financial statements, transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each financial year end, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the financial year end. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items during the financial year are recognised in the income statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under the foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income statements of the Group on disposal of the foreign operation.

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

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

### 2.24 Foreign currencies (cont'd.)

**(c) Foreign operations**

The financial results and financial position of the Company's foreign subsidiary and operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the financial year end;

(ii) Income and expenses for each income statements are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions;

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity; and

(iv) The results of an associate, Labuan Reinsurance (L) Ltd., are translated at the closing rate prevailing at the financial year end with respect to the carrying amount of the investment in associate, and at the exchange rate at the date of the transactions with respect to the share of profits or losses. All resulting translation differences are included in the foreign exchange translation reserve in shareholders' equity.

### 2.25 Revenue recognition

Revenue is recognised when the performance obligation is satisfied at an amount that reflects the consideration to which the Group and the Company expect to be entitled.

**(a) Interest and profit income**

Interest and profit income are recognised on accrual basis using the effective interest/profit method.

**(b) Investment performance fee**

The Investment performance fee is the charge on the participants' investment fund's investment returns, which is payable to the shareholder's fund.

**(c) Surplus administration charges**

The surplus administration charge is the fee charged by the Company for managing the participants risk fund.

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

### 2.25 Revenue recognition (cont'd.)

**(d) Profit and investment income**

Profit and investment income on Shariah compliant investments are recognised on an accrual basis using the effective profit/yield of the asset.

**(e) Rental income**

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

**(f) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**(g) Management fees**

Management fees are recognised when services are rendered.

**(h) Wakalah fees**

Wakalah fees are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah.

**(i) Premiums and contributions income**

Premiums/contributions are recognised in accordance with the policies stated in Notes 2.5(a) and 2.6(a).

**(j) Commission income**

Commission income derived from reinsurers/retakaful operators in the course of cession of premiums/contributions to reinsurers/retakaful operators are recognised in the income statements when they are incurred. Commission income is properly allocated to the relevant periods.

The method of recognition for commission income earned from retakaful operators is in accordance with the principle of Wakalah as approved by the GSC and as agreed between the Company's subsidiaries and the retakaful operators.





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

### 2.26 Zakat

Zakat represents an obligatory amount payable by the takaful subsidiaries and retakaful division to comply with the principles of Shariah. Zakat is computed using a method as recommended by the GSC and approved by the Board. Only the zakat that is attributable to the individual and corporate Muslim shareholders of the holding company was provided for in the financial statements. The zakat computation is reviewed by the GSC. The Board has the discretion to pay an additional sum above the obligatory amount payable.

### 2.27 Changes in accounting policies

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the following:

**Amendments to MFRSs**

At the beginning of the current financial year, the Group and the Company adopted the following Amendments/Improvements which are mandatory for annual periods beginning on or after 1 January 2022.

Annual Improvements to MFRS Standards 2018–2020

i) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*
ii) MFRS 9 *Financial Instruments*
iii) MFRS 16 *Leases*
iv) MFRS 141 *Agriculture*

Amendments to MFRS 3 *Business Combinations (Reference to Conceptual Framework)*
Amendments to MFRS 116 *Property, Plant and Equipment*
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*

The adoption of the above pronouncements did not have any significant effect on the disclosures or amounts recognised in the Group's and the Company's financial statements.

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

### 2.28 Standards issued but not yet effective

The Standards, Amendments to Standards and Annual Improvements to Standards that have been issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards, Amendments to Standards and Annual Improvements to Standards, if applicable, when they become effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| MFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to MFRS 17 *Insurance Contracts* Initial Application of MFRS 17 and MFRS 9 - Comparative Information | 1 January 2023 |
| Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112 *Income Taxes Deferred Tax* related to (i) Assets and Liabilities arising from Single Transaction; and (ii) International Tax Reform - Pillar Two Model Rules | 1 January 2023 |
| Amendments to MFRS 101 *Presentation of Financial Statement* Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to MFRS 101 *Presentation of Financial Statement* Disclosure of Accounting Policies | 1 January 2024 |
| Amendments to MFRS 101 *Presentation of Financial Statement* Non-Current Liabilities with Covenants | 1 January 2024 |
| Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures* | To be announced by MASB |

The Directors are of the opinion that the adoption of the above pronouncements are not expected to have a material impact on the financial statements of the Group and the Company in the period of initial application except for those discussed below:



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

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

### 2.28 Standards issued but not yet effective (cont'd.)

**MFRS 17 *Insurance Contracts* and Amendments to MFRS 17**

MFRS 17 Insurance Contracts replaces MFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The Group will be applying MFRS 17 for the first time in the upcoming financial year ending 31 March 2024. Accordingly, it will restate comparative information for the financial year ended 31 March 2023, including the opening balance as at 1 April 2022, by applying the transitional provisions of MFRS 17.

**(i) Changes to classification and measurement**

The adoption of MFRS 17 will not change the classification of the Group's insurance, takaful, reinsurance and retakaful contracts.

MFRS 17 establishes specific principles for the recognition and measurement of insurance/takaful contracts issued and reinsurance/retakaful contracts held by the Group.

The Group has developed policies and approved technical positions that will address the following key principles of MFRS 17:

- Identify insurance, takaful, reinsurance and retakaful contracts as those under which the Group accepts significant insurance/takaful risk from another party (the policyholder/participant) by agreeing to compensate the policyholder/participant if a specified uncertain future event adversely affects the policyholder/participant;
- Separate specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance/takaful/reinsurance/retakaful contracts and accounts for them in accordance with other applicable MFRS;
- Separate the insurance/takaful/reinsurance/retakaful contracts into groups it will recognise and measure;
- Recognise and measure groups of insurance/takaful/reinsurance/retakaful contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information, plus an amount representing the unearned profit in the group of contracts (the contractual service margin or "CSM");
- Recognise profit from a group of insurance/takaful/reinsurance/retakaful contracts over each period the Group provides insurance/takaful coverage, as the Group is released from risk. If a group of contracts is expected to be onerous over the remaining coverage period, the Group will recognise the loss immediately; and

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

### 2.28 Standards issued but not yet effective (cont'd.)

**MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 (cont'd.)**

**(i) Changes to classification and measurement (cont'd.)**

- Recognise an asset for insurance/takaful acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance/takaful and reinsurance/retakaful contracts is recognised. Such an asset is derecognised when the insurance/takaful acquisition cash flows are included in the measurement of the related group of insurance/takaful and reinsurance/retakaful contracts.

During the implementation period of MFRS 17, the Group has determined that its Insurance/takaful contracts issued and reinsurance/retakaful contracts held are eligible for the measurement models below:

**a) Premium Allocation Approach ("PAA")**

This model will be applied for policies which have contract boundaries (i.e. coverage periods) of less than 1 year as well as for policies with contract boundaries of more than 1 year but which are able to pass the PAA eligibility test.

**b) General Measurement Model (''GMM'')**

This is the default measurement model for insurance/takaful and reinsurance/retakaful contracts valued using fulfilment cash flows (the present value of expected future cash flows, plus a risk adjustment) offset by the CSM which represents the unearned profit which the Group will recognise as it provides services under the contracts.

**c) Variable Fee Approach ("VFA")**

VFA is use for insurance/takaful contracts with direct participation features where payments to policyholders/participants are contractually linked to and substantially vary with the underlying items.

The Group will be applying all the three models above for the insurance/takaful contracts issued and reinsurance/retakaful contracts held.



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.28 Standards issued but not yet effective (cont'd.)

MFRS 17 Insurance Contracts and Amendments to MFRS 17 (cont'd.)

**(ii) Changes to presentation and disclosure**

For presentation purposes, the Group will aggregate insurance/takaful and reinsurance/retakaful contracts held and these will be presented separately in the statement of financial position as follows:

- Portfolios of insurance/takaful and reinsurance/retakaful contracts issued that are assets;
- Portfolios of insurance/takaful and reinsurance/retakaful contracts issued that are liabilities;
- Portfolios of reinsurance/retakaful contracts held that are assets; and
- Portfolios of reinsurance/retakaful contracts held that are liabilities.

The portfolios of contracts are as established at initial recognition in accordance with the requirements of MFRS 17.

Groups of insurance/takaful and reinsurance/retakaful contracts issued will include any assets for insurance/takaful acquisition cash flows.

The presentation of the statement of profit or loss and other comprehensive income will change significantly upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. There will no longer be items such as gross, net or earned premiums/contributions or net claims incurred shown on the statement of profit or loss.

Instead, the statement of profit or loss will reflect the following items from the financial year ending 31 March 2024, together with a restated statement of profit or loss under MFRS 17 for the year ended 31 March 2023:

- Insurance/takaful revenue
- Insurance/takaful service expenses
- Finance/profit income or expenses
- Income or expenses from retakaful/reinsurance contracts held

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

### 2.28 Standards issued but not yet effective (cont'd.)

**MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 (cont'd.)**

**(ii) Changes to presentation and disclosure (cont'd.)**

MFRS 17 will also require more extensive disclosure requirements compared to MFRS 4. The Group will provide both qualitative and quantitative disclosures about insurance/takaful and reinsurance/retakaful contracts in three main areas:

- Explanation of the amounts recognised in the Group's financial statements arising from insurance/takaful contracts;
- Significant judgements, and changes in those judgements, when applying MFRS 17; and
- The nature and extent of risks that arise from contracts within the scope of MFRS 17.

**(iii) Transition**

On the transition date of 1 April 2022, the Group has:

- Identified, recognised and measured each group of insurance/takaful and reinsurance/retakaful contracts as if MFRS 17 had always applied (unless impracticable), using the full retrospective approach;
- Identified, recognised and measured assets for insurance/takaful acquisition cash flows as if MFRS 17 had always applied;
- Derecognised any existing balances that would not exist had MFRS 17 always applied; and
- Recognised any resulting net difference in equity.

Where the Full Retrospective Approach ("FRA") has been determined to be impracticable to apply during the implementation period, due to constraints on data or other relevant inputs, the Group has applied the Modified Retrospective Approach ("MRA") and the Fair Value Approach ("FVA").

The implementation of MFRS 17 allows the Group to adjust its profit or loss for eligible financial assets under MFRS 9 by removing any accounting volatility to other comprehensive income that may have arisen due to the adoption of MFRS 17, within the constraints of MFRS 9. The Group is currently in the midst of finalising its reclassification for eligible financial assets.

Although the implementation progress has been encouraging as of the date of financial statements, quantitative impact arising from the adoption of MFRS 17 as at 1 April 2023 are still being reviewed and refined.





## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### 3.1 Critical judgements made in applying accounting policies

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities at the financial year end. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments to the carrying amount of asset or liability affected in the future. The Group and the Company have not applied any significant judgements in preparing the financial statements.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) General reinsurance, takaful and retakaful businesses (Note 20)**

The principal uncertainty in the general reinsurance, takaful and retakaful businesses arises from the technical provisions which include the estimation of premium/contribution liabilities and claim liabilities. Premium/contribution liabilities are recorded as the higher of UPR/UCR and URR while claim liabilities mainly comprise provision for claims reported, IBNER and IBNR claims as well as a PRAD at 75% confidence level.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium/contribution and claim liabilities will not exactly develop as projected and may vary from the projection.

The estimates of premium/contribution and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium/contribution and claim liabilities may vary from the initial estimates. There may be reporting lag between the occurrence of an insured event and the time it is actually recorded. For these cases, the IBNR reserves are estimated. Even for liabilities which have been recorded, there are potential uncertainties as to the magnitude of the final claims compared to initial reserve provisions. For these cases, IBNER reserve provision are estimated. There are various factors affecting the level of uncertainty such as inflation, judicial interpretations, legislative changes and claims handling procedures. The sensitivity of these assumptions and their impact to results and the equity position of the businesses are disclosed in Note 34(a)(v) and Note 34(b)(v).

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

### 3.2 Key sources of estimation uncertainty (cont'd.)

#### (a) General reinsurance, takaful and retakaful businesses (Note 20) (cont'd.)

At each financial year end, the estimates of premium/contribution and claim liabilities are reassessed for adequacy by the Appointed Actuaries and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuaries is approved by BNM.

In setting provisions for claims, the reinsurance subsidiary relies on advice by its cedants and exercises discretion where the claim may develop more adversely than advised. An estimate will be made in the absence of a reported figure or in the event the loss is still preliminary and has not been fully assessed.

The estimates of the ultimate incurred claims are subject to a great deal of uncertainty in the early stages as claims are still being intimated and developed, particularly so for large and catastrophic claims. These uncertainties reduce over time as the claims develop and progress towards the ultimate cost.

The methodology used in the valuation of general reinsurance/retakaful liabilities involves a more granular segregation of the business of the reinsurance/retakaful subsidiary into specific portfolios with the intention of achieving greater accuracy in the estimation process. For overseas business, the valuation of general reinsurance liabilities is performed based on territorial grouping of risks to better reflect the underwriting performance.

#### (b) Family takaful and retakaful businesses (Note 20)

The estimation of the ultimate liability arising from claims made under the family takaful and retakaful businesses is a critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the family takaful and retakaful funds will ultimately be required to pay as claims/benefits.

For family takaful and retakaful contracts, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The family takaful and retakaful funds are estimated based on expected number of deaths on statutory mortality tables and adjusted where appropriate to reflect the funds' unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

For those contracts that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However, epidemics as well as wide ranging changes to lifestyle, could result in significant changes to the expected future exposures.

All of these will give rise to estimation uncertainties of the projected ultimate liabilities of the family takaful and retakaful funds. The sensitivity of the actuarial liabilities of the family takaful and retakaful funds to changes in assumptions are detailed in Notes 34(c)(ii) and 34(d)(iii).





## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

### 3.2 Key sources of estimation uncertainty (cont'd.)

#### (b) Family takaful and retakaful businesses (Note 20) (cont'd.)

At each financial year end, these estimates are re-assessed for adequacy and changes will be reflected as adjustments to the liabilities by the Appointed Actuaries. The appointment of the Appointed Actuaries is approved by BNM.

#### (c) Expense liabilities (Note 20)

The expense liabilities of the shareholder's fund consist of expense liabilities of the general takaful, general retakaful, family takaful and family retakaful funds which are based on estimations performed by the Appointed Actuaries. The estimation methods are explained in Note 2.7(b)(ii). The Appointed Actuaries estimate the expected management expenses required to manage the contracts less any expected cash flows from future wakalah fee income based on the Appointed Actuaries' assumptions and observations of the actual experiences. The estimates of expense liabilities are therefore sensitive to various factors and uncertainties.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of expense liabilities may vary from the initial estimates. At each financial year end, the estimates of expense liabilities are re-assessed for adequacy by the Appointed Actuaries and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuaries are approved by BNM.

## 4. NET EARNED PREMIUMS/CONTRIBUTIONS

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| **(a) Gross earned premiums/contributions** | | |
| Insurance and takaful contracts | **3,392,077** | 2,987,718 |
| Change in premium/contribution liabilities | **(76,861)** | (85,774) |
| | **3,315,216** | 2,901,944 |
| **(b) Premiums/contributions ceded to reinsurers/retakaful operators** | | |
| Insurance and takaful contracts | **(503,752)** | (524,911) |
| Change in premium/contribution liabilities | **26,633** | 14,486 |
| | **(477,119)** | (510,425) |
| **Net earned premiums/contributions** | **2,838,097** | 2,391,519 |

## 5. INVESTMENT INCOME

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Designated upon initial recognition: | | | | |
| Interest/profit income | **119,910** | 114,665 | **-** | - |
| Mandatorily measured: | | | | |
| Interest/profit income | **656** | 503 | **-** | - |
| Dividend income: | | | | |
| - Quoted shares in Malaysia | **9,643** | 13,698 | **-** | - |
| - Shariah approved unit trust funds | **2,658** | 2,895 | **477** | 627 |
| - Real estate investment trusts | **1,012** | 851 | **-** | - |
| **Financial assets at FVOCI** | | | | |
| Interest/profit income | **74,768** | 80,229 | **2,190** | 102 |
| Dividend income on unquoted shares in Malaysia | **582** | 2,410 | **-** | - |
| **Financial assets at amortised cost** | | | | |
| Interest/profit income | **112,192** | 54,250 | **2,261** | 2,668 |
| Dividend income from subsidiaries | **-** | - | **23,000** | 81,000 |
| Dividend income from associate | **-** | - | **-** | - |
| Other investment income | **-** | - | **-** | - |
| (Net amortisation of premiums)/ accretion of discount on investments | **(4,873)** | (3,303) | **-** | 187 |
| Investment expenses | **(362)** | (385) | **-** | - |
| | **316,186** | 265,813 | **27,928** | 84,584 |





## 6. NET REALISED GAINS

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Quoted shares in Malaysia: | | | | |
| Shariah approved equities | **(4,828)** | 3,608 | **-** | - |
| Others | **125** | 907 | **-** | - |
| Unquoted Islamic private debt securities | **1,365** | 820 | **-** | - |
| Government investment issues | **3,476** | 3,612 | **-** | - |
| Shariah approved unit trust funds | **141** | 2,326 | **-** | - |
| Real estate investment trusts | **515** | 54 | **-** | - |
| Net realised gains | **794** | 11,327 | **-** | - |
| **Financial assets at FVOCI** | | | | |
| Unquoted corporate debt securities | **694** | 3,047 | **-** | - |
| Unquoted Islamic private debt securities | **55** | 1 | **-** | - |
| Malaysian government securities | **-** | 924 | **-** | - |
| Government investment issues | **2,103** | 1,794 | **-** | - |
| Net realised gains | **2,852** | 5,766 | **-** | - |
| | **3,646** | 17,093 | **-** | - |

## 7. NET FAIR VALUE GAINS/(LOSSES)

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Net fair value gains/(losses) on financial assets at FVTPL | **25,484** | (55,559) |

## 8. FEE AND COMMISSION INCOME/(EXPENSES)

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Fee and commission income | | | | |
| Management fees | **4,313** | 3,981 | **61,317** | 44,802 |
| Commission income | **58,358** | 42,661 | **-** | - |
| | **62,671** | 46,642 | **61,317** | 44,802 |
| Fee and commission expenses | | | | |
| Commission expenses | **(638,090)** | (574,395) | **-** | - |





## 9. MANAGEMENT EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Salaries, bonus and other related costs | **132,969** | 112,898 | **38,687** | 28,265 |
| Short term accumulating compensated absences | **627** | 645 | **236** | 288 |
| President & Group Chief Executive Officer ("PGCEO"), directors and Group Shariah Committee ("GSC") members' remuneration (Note 10) | **4,853** | 5,333 | **2,563** | 2,650 |
| Pension costs - EPF | **18,706** | 15,887 | **5,245** | 3,891 |
| Social security costs | **1,239** | 901 | **247** | 176 |
| Retirement benefits | **141** | 117 | **42** | 24 |
| Auditors' remuneration: | | | | |
| Statutory auditors of the Group | | | | |
| - statutory audit | **1,657** | 1,462 | **105** | 97 |
| - other assurance services | **2,012** | 683 | **-** | - |
| - regulatory-related | **105** | 97 | **26** | 25 |
| - other services | **192** | 181 | **32** | 32 |
| Depreciation of property, plant and equipment (Note 13) | **7,892** | 7,083 | **1,210** | 947 |
| Depreciation of right-of-use assets (Note 15) | **1,404** | 1,794 | **1,023** | 1,043 |
| Amortisation of intangible assets (Note 14) | **20,723** | 12,335 | **1,295** | 1,220 |
| Expenses relating to leases of low-value assets | **1,079** | 749 | **468** | 311 |
| Expenses relating to short-term leases | **199** | 462 | **-** | - |
| Agency expenses | **7,981** | 12,346 | **-** | - |
| Marketing and promotional costs | **59,349** | 43,194 | **207** | 90 |
| Electronic data processing costs | **22,830** | 17,293 | **5,179** | 2,421 |
| Management fee | **-** | - | **407** | 978 |
| Professional and legal fees | **12,564** | 13,047 | **29** | 1,212 |
| Contributions and donations | **4** | 611 | **-** | 3 |
| Other management expenses | **56,886** | 50,038 | **1,660** | 1,440 |
| | **353,412** | 297,156 | **58,661** | 45,113 |

**10. PGCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION**

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Number of non-executive directors | **21** | 21 | **6** | 6 |
| **PGCEO/Executive Director of the subsidiaries (Note 10(a)):** | | | | |
| Salaries and bonus | **1,442** | 1,416 | **1,442** | 1,416 |
| Pension costs - EPF and SOCSO | **245** | 243 | **245** | 243 |
| Benefits-in-kind | **18** | 18 | **18** | 18 |
| Others | **38** | 50 | **38** | 50 |
| | **1,743** | 1,727 | **1,743** | 1,727 |
| **Non-executive directors of the Company:** | | | | |
| Fees | **1,233** | 1,438 | **667** | 738 |
| Others | **363** | 424 | **171** | 203 |
| Benefits-in-kind | **31** | 31 | **31** | 31 |
| | **1,627** | 1,893 | **869** | 972 |
| **Non-executive directors of the subsidiaries:** | | | | |
| Fees | **998** | 1,186 | **-** | - |
| Others | **309** | 348 | **-** | - |
| | **1,307** | 1,534 | **-** | - |
| **Group Shariah Committee members:** | | | | |
| Fees | **180** | 173 | **-** | - |
| Meeting allowances | **45** | 55 | **-** | - |
| | **225** | 228 | **-** | - |
| Total PGCEO, directors' and GSC members' remuneration excluding benefits-in-kind | **4,853** | 5,333 | **2,563** | 2,650 |





**10. PGCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION (CONT'D.)**

The number of directors whose total remuneration, borne by the Group and the Company, during the financial year fell within the following bands is analysed below.

| | Number of Directors | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2023 | 2022 | 2023 | 2022 |
| PGCEO/Executive Director of the subsidiaries: | | | | |
| RM1,500,001 to RM1,750,000 | **1** | 1 | **1** | 1 |
| Non-executive directors of the Company: | | | | |
| RM100,001 to RM150,000 | **3** | 2 | **5** | 3 |
| RM150,001 to RM200,000 | **-** | 1 | **-** | 2 |
| RM200,001 to RM250,000 | **-** | - | **1** | 1 |
| RM250,001 to RM300,000 | **1** | - | **-** | - |
| RM300,001 to RM350,000 | **-** | 1 | **-** | - |
| RM400,001 to RM450,000 | **1** | - | **-** | - |
| RM500,001 to RM550,000 | **1** | - | **-** | - |
| RM550,001 to RM600,000 | **-** | 2 | **-** | - |
| Non-executive directors of the subsidiaries: | | | | |
| RM0 to RM50,000 | **5** | 4 | **-** | - |
| RM50,001 to RM100,000 | **2** | 3 | **-** | - |
| RM100,001 to RM150,000 | **6** | 5 | **-** | - |
| RM150,001 to RM200,000 | **1** | 2 | **-** | - |
| RM250,001 to RM300,000 | **1** | 1 | **-** | - |

## 10. PGCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION

### (a) PGCEO & directors' remuneration:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary and bonus RM'000 | Fees RM'000 | Benefits-in-kind and other emoluments RM'000 | Total RM'000 | Salary and bonus RM'000 | Fees RM'000 | Benefits-in-kind and other emoluments RM'000 | Total RM'000 |
| **2023** | | | | | | | | |
| **PGCEO/Executive Director of the subsidiaries** | | | | | | | | |
| Zaharudin Daud | 1,442 | - | 301 | 1,743 | 1,442 | - | 301 | 1,743 |
| **Non-Executive Directors of the Company:** | | | | | | | | |
| Datuk Johar Che Mat | - | 383 | 121 | 504 | - | 159 | 58 | 217 |
| George Oommen | - | 330 | 97 | 427 | - | 109 | 28 | 137 |
| Khalid Sufat | - | 213 | 70 | 283 | - | 92 | 22 | 114 |
| Junaidah Mohd Said | - | 99 | 42 | 141 | - | 99 | 36 | 135 |
| Zaida Khalida Shaari | - | 104 | 36 | 140 | - | 104 | 35 | 139 |
| Dato' Wan Roshdi Wan Musa | - | 104 | 28 | 132 | - | 104 | 23 | 127 |
| | - | 1,233 | 394 | 1,627 | - | 667 | 202 | 869 |
| **Total PGCEO and directors' remuneration** | 1,442 | 1,233 | 695 | 3,370 | 1,442 | 667 | 503 | 2,612 |



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 10. PGCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION

### (a) PGCEO & directors' remuneration:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary and bonus RM'000 | Fees RM'000 | Benefits-in-kind and other emoluments RM'000 | Total RM'000 | Salary and bonus RM'000 | Fees RM'000 | Benefits-in-kind and other emoluments RM'000 | Total RM'000 |
| **2022** | | | | | | | | |
| **PGCEO/Executive Director of the subsidiaries** | | | | | | | | |
| Zaharudin Daud | 1,416 | - | 311 | 1,727 | 1,416 | - | 311 | 1,727 |
| **Non-Executive Directors of the Company:** | | | | | | | | |
| Datuk Johar Che Mat | - | 428 | 151 | 579 | - | 168 | 67 | 235 |
| George Oommen | - | 435 | 131 | 566 | - | 118 | 35 | 153 |
| Khalid Sufat | - | 250 | 61 | 311 | - | 127 | 33 | 160 |
| Junaidah Mohd Said | - | 112 | 41 | 153 | - | 112 | 36 | 148 |
| Zaida Khalida Shaari | - | 109 | 36 | 145 | - | 109 | 33 | 142 |
| Dato' Wan Roshdi Wan Musa | - | 104 | 35 | 139 | - | 104 | 30 | 134 |
| | - | 1,438 | 455 | 1,893 | - | 738 | 234 | 972 |
| **Total PGCEO and directors' remuneration** | 1,416 | 1,438 | 766 | 3,620 | 1,416 | 738 | 545 | 2,699 |

## 11. OTHER OPERATING REVENUE/(EXPENSES)

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **Other operating revenue** | | | | |
| Net realised gains on foreign exchange | **11,682** | - | **-** | - |
| Net realised gains on disposal of: | | | | |
| - property, plant and equipment | **16** | - | **-** | - |
| - intangible assets | **398** | - | **-** | - |
| Reversal of impairment losses on buildings (Note 13) | **72** | 346 | **-** | - |
| Reversal of impairment losses on insurance/ takaful receivables (Note 35(a)) | **1,661** | 8,108 | **-** | - |
| Reversal of impairment on financial assets at: | | | | |
| - FVOCI | **-** | 678 | **-** | - |
| - Amortised cost | **1** | 630 | **-** | - |
| Non-operating interest income | **632** | 1,406 | **2** | 3 |
| Miscellaneous income | **28,845** | 20,862 | **169** | 173 |
| Net rental income from properties | **2,167** | 2,683 | **-** | - |
| Management income pursuant to business transfer from Hong Leong MSIG Takaful Berhad | **244** | 123 | **-** | - |
| | **45,718** | 34,836 | **171** | 176 |
| **Other operating expenses** | | | | |
| Net realised losses on foreign exchange | **-** | (3,195) | **-** | - |
| Impairment losses on financial assets at FVOCI | **(11)** | - | **(1)** | - |
| Allowance for impairment losses on sundry receivables | **(1,607)** | - | **-** | - |
| Write-off of intangible assets (Note 14) | **(2,197)** | (894) | **-** | (248) |
| Miscellaneous expenses | **(3,024)** | (1,287) | **(11)** | (11) |
| | **(6,839)** | (5,376) | **(12)** | (259) |



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 12. TAX BORNE BY PARTICIPANTS

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| Current income tax: | | |
| Current year's provision | **14,353** | 15,615 |
| Under/(over) provision of tax expense in prior years | **1,308** | (1,980) |
| | **15,661** | 13,635 |
| Deferred income tax (Note 19): | | |
| Deferred tax relating to origination and reversal of temporary differences | **504** | (1,033) |
| Tax expense for the year | **16,165** | 12,602 |

## TAXATION

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| Malaysian income tax: | | | | |
| Tax expense for the year | **40,252** | 33,970 | **972** | 545 |
| (Over)/under provision in prior years | **(4,150)** | (2,113) | **23** | (14) |
| | **36,102** | 31,857 | **995** | 531 |
| Deferred tax (Note 19): | | | | |
| (Over)/under provision in prior years | **(768)** | (163) | **(401)** | 174 |
| Relating to origination and reversal of temporary differences | **(5,286)** | (19,781) | **925** | (2,992) |
| | **(6,054)** | (19,944) | **524** | (2,818) |
| | **30,048** | 11,913 | **1,519** | (2,287) |

Domestic income tax for the Company, the general takaful business and the takaful subsidiaries' shareholder's funds are calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year. Income tax on the Group's reinsurance/retakaful and family takaful business are calculated at a preferential tax rate of 8% (2022: 8%).

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023



## 12. TAXATION (CONT'D.)

A reconciliation of income tax expenses applicable to profit before zakat and tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Profit before zakat and taxation | **150,950** | 127,482 | **14,075** | 67,471 |
| Taxation at Malaysian statutory tax rate of 24% | **36,228** | 30,596 | **3,378** | 16,193 |
| Effects of different tax rate in respect of reinsurance/retakaful business | **(15,406)** | (10,755) | **-** | - |
| Effect of changes in tax law | **-** | (9,339) | **-** | - |
| Income not subject to tax | **(1,461)** | (3,252) | **(5,635)** | (19,859) |
| Expenses not deductible for tax purposes | **12,247** | 11,878 | **4,810** | 5,493 |
| Utilisation of previously unrecognised tax losses | **(656)** | (674) | **(656)** | (674) |
| Deferred tax assets recognised on unutilised business losses | **-** | (3,600) | **-** | (3,600) |
| (Over)/under provision of deferred tax in prior years | **(768)** | (163) | **(401)** | 174 |
| (Over)/under provision of tax in prior years | **(4,150)** | (2,113) | **23** | (14) |
| Share of results of associates | **4,014** | (665) | **-** | - |
| Tax expense for the year | **30,048** | 11,913 | **1,519** | (2,287) |

The amendments to section 60AA of the Income Tax Act 1967 has been introduced in Budget 2022 and subsequently gazetted on 31 December 2021 via the Finance Act 2021. Consequent to the amendments, management expenses incurred by the Shareholder's Fund of family takaful operators are now allowed as deductible for the purpose of computing taxable income from YA 2022 onwards.

## 13. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM'000 | Buildings RM'000 | Computer equipment RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Valuation/cost** | | | | | | | |
| At 1 April 2021 | 36,800 | 160,999 | 7,149 | 37,772 | 2,212 | 783 | 245,715 |
| Additions | - | - | 3,517 | 1,274 | - | 5,019 | 9,810 |
| Disposals | - | - | - | (285) | - | - | (285) |
| Revaluation surplus | - | 4,735 | - | - | - | - | 4,735 |
| Foreign exchange translation | - | 29 | 14 | 6 | 3 | - | 52 |
| Elimination of accumulated depreciation and impairment losses on revaluation | - | (4,317) | - | - | - | - | (4,317) |
| Reclassification | - | 661 | - | - | - | (661) | - |
| At 31 March 2022 | **36,800** | **162,107** | **10,680** | **38,767** | **2,215** | **5,141** | **255,710** |
| Additions | **-** | **-** | **1,698** | **26** | **342** | **16,555** | **18,621** |
| Disposals | **-** | **-** | **-** | **-** | **(90)** | **-** | **(90)** |
| Revaluation surplus | **-** | **3,625** | **-** | **-** | **-** | **-** | **3,625** |
| Foreign exchange translation | **-** | **319** | **7** | **21** | **11** | **-** | **358** |
| Elimination of accumulated depreciation and impairment losses on revaluation | **-** | **(4,516)** | **-** | **-** | **-** | **-** | **(4,516)** |
| Reclassification | **-** | **1,356** | **835** | **4,421** | **-** | **(6,612)** | **-** |
| At 31 March 2023 | **36,800** | **162,891** | **13,220** | **43,235** | **2,478** | **15,084** | **273,708** |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | Freehold land RM'000 | Buildings RM'000 | Computer equipment RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment loss** | | | | | | | |
| At 1 April 2021 | - | - | 5,721 | 35,532 | 1,085 | - | 42,338 |
| Depreciation charge for the year (Note 9) | - | 4,663 | 1,420 | 646 | 354 | - | 7,083 |
| Disposals | - | - | - | (273) | - | - | (273) |
| Elimination of accumulated depreciation and impairment losses on revaluation | - | (4,317) | - | - | - | - | (4,317) |
| Foreign exchange translation | - | - | 6 | 4 | 2 | - | 12 |
| Reversal of impairment loss during the year (Note 11) | - | (346) | - | - | - | - | (346) |
| At 31 March 2022 | **-** | **-** | **7,147** | **35,909** | **1,441** | **-** | **44,497** |
| Depreciation charge for the year (Note 9) | **-** | **4,653** | **1,412** | **1,426** | **401** | **-** | **7,892** |
| Disposals | **-** | **-** | **-** | **-** | **(90)** | **-** | **(90)** |
| Foreign exchange translation | **-** | **161** | **7** | **21** | **6** | **-** | **195** |
| Reversal of impairment loss during the year (Note 11) | **-** | **(72)** | **-** | **-** | **-** | **-** | **(72)** |
| Elimination of accumulated depreciation and impairment losses on revaluation | **-** | **(4,516)** | **-** | **-** | **-** | **-** | **(4,516)** |
| At 31 March 2023 | **-** | **226** | **8,566** | **37,356** | **1,758** | **-** | **47,906** |
| **Net carrying amount** | | | | | | | |
| At 31 March 2023 | **36,800** | **162,665** | **4,654** | **5,879** | **720** | **15,084** | **225,802** |
| At 31 March 2022 | 36,800 | 162,107 | 3,533 | 2,858 | 774 | 5,141 | 211,213 |





## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

### Revaluation of freehold land and buildings

Freehold land and buildings in Malaysia have been revalued based on valuations performed by accredited independent valuers having appropriate recognised professional qualification. The valuations are based on the income and comparison approaches and are effective on 31 March 2023.

The income approach entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income.

The comparison approach entails critical analyses of recent sales and listing of comparable properties registered within the vicinity. The technique of the approach requires the establishment of a comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the differences between the subject property and those regarded as comparable. The comparison was premised on the factors of location, size, lease, restrictive covenants age and condition of the building as well as the time element.

Description of the fair value hierarchy for freehold land and buildings and the significant inputs used in the valuation are provided in Note 38.

Freehold buildings outside Malaysia have been revalued based on their value-in-use and a discount rate of 6% (2022: 7%) is applied, being the prevailing rental yield in the country where the buildings are located.

If the freehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

| | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| At 1 April 2021 | 15,596 | 147,128 | 162,724 |
| Reclassification from work-in-progress | - | 661 | 661 |
| At 31 March 2022 | **15,596** | **147,789** | **163,385** |
| Reclassification from work-in-progress | **-** | **1,356** | **1,356** |
| Foreign exchange translation | **-** | **319** | **319** |
| At 31 March 2023 | **15,596** | **149,464** | **165,060** |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

**Revaluation of freehold land and buildings (cont'd.)**

| | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Group (cont'd.)** | | | |
| **Accumulated depreciation and impairment loss** | | | |
| At 1 April 2021 | - | 57,356 | 57,356 |
| Depreciation charge for the year | - | 4,627 | 4,627 |
| Reversal of impairment losses (Note 11) | - | (346) | (346) |
| Foreign exchange translation | - | 36 | 36 |
| At 31 March 2022 | **-** | **61,673** | **61,673** |
| Depreciation charge for the year | **-** | **3,680** | **3,680** |
| Reversal of impairment losses (Note 11) | **-** | **(72)** | **(72)** |
| Foreign exchange translation | **-** | **161** | **161** |
| At 31 March 2023 | **-** | **65,442** | **65,442** |
| **Net carrying amount** | | | |
| At 31 March 2023 | **15,596** | **84,022** | **99,618** |
| At 31 March 2022 | 15,596 | 86,116 | 101,712 |

| | Computer equipment RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Preferred partnership fees RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Cost** | | | | | |
| At 1 April 2021 | 3,963 | 2,964 | 599 | - | 7,526 |
| Additions | 1,488 | 41 | - | 642 | 2,171 |
| Disposals | - | (223) | - | - | (223) |
| At 31 March 2022 | **5,451** | **2,782** | **599** | **642** | **9,474** |
| Additions | **442** | **-** | **-** | **7,252** | **7,694** |
| Disposals | **-** | **-** | **(5)** | **-** | **(5)** |
| Reclassification | **425** | **459** | **-** | **(884)** | **-** |
| At 31 March 2023 | **6,318** | **3,241** | **594** | **7,010** | **17,163** |





## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| | Computer equipment RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Preferred partnership fees RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company (cont'd.)** | | | | | |
| **Accumulated depreciation** | | | | | |
| At 1 April 2021 | 3,337 | 2,441 | 252 | - | 6,030 |
| Charge for the year (Note 9) | 688 | 140 | 119 | - | 947 |
| Disposals | - | (223) | - | - | (223) |
| At 31 March 2022 | **4,025** | **2,358** | **371** | **-** | **6,754** |
| Charge for the year (Note 9) | **818** | **274** | **118** | **-** | **1,210** |
| Disposals | **-** | **-** | **(5)** | **-** | **(5)** |
| At 31 March 2023 | **4,843** | **2,632** | **484** | **-** | **7,959** |
| **Net carrying amount** | | | | | |
| At 31 March 2023 | **1,475** | **609** | **110** | **7,010** | **9,204** |
| At 31 March 2022 | 1,426 | 424 | 228 | 642 | 2,720 |

## 14. INTANGIBLE ASSETS

| | Software development in progress RM'000 | Computer software and licences RM'000 | Preferred partnership fees RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 April 2021 | 29,333 | 72,634 | 34,000 | 135,967 |
| Additions | 11,404 | 5,156 | - | 16,560 |
| Write-off | - | (2,261) | - | (2,261) |
| Disposal | - | - | (6,000) | (6,000) |
| Reclassification | (11,978) | 11,978 | - | - |
| At 31 March 2022 | **28,759** | **87,507** | **28,000** | **144,266** |
| Additions | **3,462** | **8,185** | **74,000** | **85,647** |
| Write-off | **-** | **(6,576)** | **-** | **(6,576)** |
| Disposal | **-** | **-** | **(28,000)** | **(28,000)** |
| Reclassification | **(10,006)** | **10,006** | **-** | **-** |
| At 31 March 2023 | **22,215** | **99,122** | **74,000** | **195,337** |





## 14. INTANGIBLE ASSETS (CONT'D.)

| | Software development in progress RM'000 | Computer software and licences RM'000 | Preferred partnership fees RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group (cont'd.)** | | | | |
| **Accumulated amortisation** | | | | |
| At 1 April 2021 | - | 54,145 | 10,017 | 64,162 |
| Amortisation for the year (Note 9) | - | 6,085 | 6,250 | 12,335 |
| Write-off | - | (1,367) | - | (1,367) |
| Disposal | - | - | (6,000) | (6,000) |
| At 31 March 2022 | **-** | **58,863** | **10,267** | **69,130** |
| Amortisation for the year (Note 9) | **-** | **6,605** | **14,118** | **20,723** |
| Write-off | **-** | **(4,379)** | **-** | **(4,379)** |
| Disposal | **-** | **-** | **(14,934)** | **(14,934)** |
| At 31 March 2023 | **-** | **61,089** | **9,451** | **70,540** |
| **Net carrying amount** | | | | |
| At 31 March 2023 | **22,215** | **38,033** | **64,549** | **124,797** |
| At 31 March 2022 | 28,759 | 28,644 | 17,733 | 75,136 |

| | Computer software and licences RM'000 |
|---|---|
| **Company** | |
| **Cost** | |
| At 1 April 2021 | 11,170 |
| Additions | 1,803 |
| Write-off | (565) |
| At 31 March 2022 | **12,408** |
| Additions | **2,554** |
| At 31 March 2023 | **14,962** |

## 14. INTANGIBLE ASSETS (CONT'D.)

| | Computer software and licences RM'000 |
|---|---|
| **Company (cont'd.)** | |
| **Accumulated amortisation** | |
| At 1 April 2021 | 8,032 |
| Amortisation for the year (Note 9) | 1,220 |
| Write-off | (317) |
| At 31 March 2022 | **8,935** |
| Amortisation for the year (Note 9) | **1,295** |
| At 31 March 2023 | **10,230** |
| **Net carrying amount** | |
| At 31 March 2023 | **4,732** |
| At 31 March 2022 | 3,473 |

## 15. LEASES

### (a) The Group and the Company as lessees

The Group and the Company have lease contracts for various items of equipments and office buildings used in their operations. Lease of office buildings generally have lease terms between 3 to 6 years, while computer and office equipment generally have lease terms of up to 3 years. The Group's and the Company's obligations under leases are secured by the lessor's title to the leased assets. Generally, the Group and the Company are restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension options, which are further discussed below.

The Group and the Company also have certain leases of equipment with lease terms of 12 months or less and leases of equipments which are of low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.





## 15. LEASES (CONT'D.)

### (a) The Group and the Company as lessees (cont'd.)

#### (i) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| Group | Data Centre RM'000 | Office buildings RM'000 | Computer and office equipment RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2021 | 1,074 | 5,599 | 999 | 7,672 |
| Additions during the year | 553 | 4,607 | - | 5,160 |
| Lease derecognised during the year | (1,074) | (4,427) | (743) | (6,244) |
| Foreign exchange translation | - | (45) | - | (45) |
| At 31 March 2022 | **553** | **5,734** | **256** | **6,543** |
| Adjustment for termination of lease | **-** | **(171)** | **(256)** | **(427)** |
| Additions during the year | **-** | **296** | **-** | **296** |
| Lease derecognised during the year | **-** | **(846)** | **-** | **(846)** |
| Foreign exchange translation | **-** | **34** | **-** | **34** |
| At 31 March 2023 | **553** | **5,047** | **-** | **5,600** |
| **Accumulated depreciation** | | | | |
| At 1 April 2021 | 832 | 3,303 | 631 | 4,766 |
| Charge for the year (Note 9) | 357 | 1,184 | 253 | 1,794 |
| Lease derecognised during the year | (1,074) | (3,717) | (743) | (5,534) |
| Foreign exchange translation | - | (37) | - | (37) |
| At 31 March 2022 | **115** | **733** | **141** | **989** |
| Adjustment for termination of lease | **-** | **826** | **(141)** | **685** |
| Charge for the year (Note 9) | **277** | **1,127** | **-** | **1,404** |
| Lease derecognised during the year | **-** | **(846)** | **-** | **(846)** |
| At 31 March 2023 | **392** | **1,840** | **-** | **2,232** |
| **Net carrying amount** | | | | |
| At 31 March 2023 | **161** | **3,207** | **-** | **3,368** |
| At 31 March 2022 | 438 | 5,001 | 115 | 5,554 |

## 15. LEASES (CONT'D.)

### (a) The Group and the Company as lessees (cont'd.)

#### (i) Right-of-use assets (cont'd.)

| Company | Office buildings RM'000 | Computer and office equipment RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2021/2022 | 4,218 | 215 | 4,433 |
| Lease derecognised during the year | - | (215) | (215) |
| At 31 March 2023 | **4,218** | **-** | **4,218** |
| **Accumulated depreciation** | | | |
| At 1 April 2021 | 2,171 | 78 | 1,187 |
| Charge for the year (Note 9) | 1,024 | 19 | 1,043 |
| At 31 March 2022 | **3,195** | **97** | **3,292** |
| Charge for the year (Note 9) | **1,023** | **-** | **1,023** |
| Lease derecognised during the year | **-** | **(97)** | **(97)** |
| At 31 March 2023 | **4,218** | **-** | **4,218** |
| **Net carrying amount** | | | |
| At 31 March 2023 | **-** | **-** | **-** |
| At 31 March 2022 | 1,023 | 118 | 1,142 |





## 15. LEASES (CONT'D.)

### (a) The Group and the Company as lessees (cont'd.)

#### (ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | Group RM '000 | Company RM '000 |
|---|---|---|
| At 1 April 2021 | 2,754 | 2,115 |
| Lease derecognised during the year | (745) | - |
| Additions | 5,160 | - |
| Accretion of interest | 182 | 79 |
| Payments | (1,892) | (1,121) |
| Foreign exchange translation | 17 | - |
| At 31 March 2022 | **5,476** | **1,073** |
| Adjustment for termination of lease | **(1,007)** | **-** |
| Additions | **287** | **-** |
| Accretion of interest | **125** | **28** |
| Payments | **(1,501)** | **(1,101)** |
| Foreign exchange translation | **46** | **-** |
| At 31 March 2023 | **3,426** | **-** |

#### (iii) Extension options

Most of the Group's and the Company's leases on office buildings contain extension options exercisable by the Group and the Company and not the lessors. At the commencement of a lease, the Group and the Company assess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within their control.

All of the extension options for office buildings have been included in the lease liability because the Group is reasonably certain that the lease will be extended based on past practice and the existing economic incentive.

## 15. LEASES (CONT'D.)

### (b) The Group as lessor

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

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

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Future minimum rental receivable: | | |
| Not later than 1 year | **1,650** | 2,116 |
| Later than 1 year and not later than 5 years | **62** | 1,712 |
| | **1,712** | 3,828 |

## 16. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Unquoted shares, at cost: | | |
| In Malaysia | | |
| At the beginning and end of the year | **1,298,106** | 1,298,106 |
| Outside Malaysia | | |
| At the beginning and end of the year | **6,370** | 6,370 |
| | **1,304,476** | 1,304,476 |





## 16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Effective ownership interest 2023 % | Effective ownership interest 2022 % |
|---|---|---|---|---|
| Malaysian Reinsurance Berhad ("Malaysian Re") | Malaysia | Underwriting of all classes of general reinsurance business and management of family and general retakaful businesses | **100** | 100 |
| Takaful Ikhlas Family Berhad ("Takaful IKHLAS Family") | Malaysia | Management of family and investment-linked takaful businesses | **100** | 100 |
| Takaful Ikhlas General Berhad ("Takaful IKHLAS General") | Malaysia | Management of general takaful business | **100** | 100 |
| Sinar Seroja Berhad ("SSB") | Malaysia | Family retakaful and general retakaful businesses** | **100** | 100 |
| MMIP Services Sdn. Bhd. ("MSSB") | Malaysia | Management of the Malaysian Motor Insurance Pool which provides motor insurance to vehicle owners who are unable to obtain insurance protection for their vehicles | **100** | 100 |
| Malaysian Re (Dubai) Ltd. ("MRDL") | Dubai, United Arab Emirates | Marketing and promotional activities and servicing of clients on behalf of Malaysian Re | **100** | 100 |

* *Audited by a firm of chartered accountants affiliated to Ernst & Young PLT, Malaysia.*
** *SSB has ceased its operations since December 2017.*

## 17. INVESTMENTS IN ASSOCIATES

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| Unquoted shares in Malaysia, at cost | **77,615** | 77,615 |
| Share of post-acquisition retained profits | **(1,339)** | 17,969 |
| Share of post-acquisition fair value reserve | **(1,160)** | (7,773) |
| Post-acquisition foreign exchange translation reserve * | **47,048** | 46,283 |
| | **122,164** | 134,094 |
| Represented by share of net assets | **122,164** | 134,094 |

| | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|
| Unquoted shares in Malaysia, at cost | **1,957** | 1,957 |

* *This is in respect of retranslation of the investment in Labuan Re at the rate of exchange prevailing at the financial year.*

Details of the associates which are all incorporated in Malaysia are as follows:

| Name of associates | Year end | Principal activities | Proportion of ownership interest and voting power 2023 % | 2022 % |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| Motordata Research Consortium Sdn. Bhd. ** | 31 December | Development and provision of a centralised motor parts price database for the Malaysian insurance industry | **40** | 40 |
| **Held by Malaysian Re:** | | | | |
| Labuan Reinsurance (L) Ltd ("Labuan Re") | 31 December | Underwriting of all classes of general reinsurance and retakaful business | **20** | 20 |

The financial statements of the above associates are not co-terminous with those of the Group. For the purpose of applying the equity method of accounting, the unaudited financial statements of the associates for the year ended 31 December 2022 and management financial statements to the end of the accounting period of 31 March 2023 have been used.

** *Audited by a firm other than Ernst & Young PLT, Malaysia.*





## 17. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, are as follows:

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Assets and liabilities:** | | |
| Current assets | **2,687,132** | 2,490,869 |
| Non-current assets | **70,525** | 71,447 |
| Total assets | **2,757,657** | 2,562,316 |
| Current liabilities | **318,113** | 297,296 |
| Non-current liabilities | **1,826,873** | 1,604,445 |
| Total liabilities | **2,144,986** | 1,901,741 |
| **Equity** | **612,671** | 660,575 |
| **Results:** | | |
| Revenue | **615,062** | 582,934 |
| (Loss)/profit for the year | **(43,138)** | 7,380 |
| Share of net (loss)/profit for the year | **(16,725)** | 2,769 |

## 18. FINANCIAL AND OTHER ASSETS

The following table summarises the carrying values of financial and other assets of the Group and the Company:

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| At carrying value: | | | | |
| Financial assets at FVTPL (a) | **3,445,293** | 3,187,453 | **5,181** | 38,340 |
| Financial assets at FVOCI (b) | **1,803,902** | 1,973,694 | **49,682** | 49,610 |
| Amortised cost and other assets (c) | **4,784,521** | 3,814,836 | **95,183** | 79,652 |
| | **10,033,716** | 8,975,983 | **150,046** | 167,602 |

## 18. FINANCIAL AND OTHER ASSETS (CONT'D.)

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| Malaysian government securities | **89,773** | 99,358 | **-** | - |
| Government investment issues | **2,100,241** | 1,783,686 | **-** | - |
| Unquoted corporate debt securities | **641,148** | 761,345 | **50,632*** | 50,560 |
| Islamic commercial paper | **-** | 14,926 | **-** | - |
| Commercial paper | **-** | 34,849 | **-** | - |
| Equity securities: | | | | |
| Unquoted shares in Malaysia | **87,352** | 87,422 | **50** | 50 |
| Quoted shares in Malaysia | **222,588** | 254,103 | **-** | - |
| Unquoted perpetual bond in Malaysia | **4,884** | 4,930 | **-** | - |
| Unquoted Islamic private debt securities | **1,742,180** | 1,796,032 | **-** | - |
| Shariah approved unit trust funds | **346,407** | 358,551 | **5,181** | 38,340 |
| Real estate investment trusts: | | | | |
| - Shariah approved | **5,859** | 6,447 | **-** | - |
| - Non-Shariah approved | **8,694** | 9,273 | **-** | - |
| Deposits | **4,619,904** | 3,566,922 | **76,992** | 76,533 |
| Derivatives | **69** | - | **-** | - |
| Other receivables and prepayments | **164,617** | 198,139 | **17,191** | 2,119 |
| | **10,033,716** | 8,975,983 | **150,046** | 167,602 |

* *The unquoted corporate debt securities of the Company relate to the subordinated medium term notes ("sub-debt") issued by the Company's reinsurance subsidiary. The sub-debt carries a tenure of eight (8) years from issue date on a 8-year, non-callable 5-year basis with a fixed interest rate of 4.38% per annum payable semi-annually in arrears.*





## 18. FINANCIAL AND OTHER ASSETS (CONT'D.)

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **(a) Financial assets at FVTPL** | | | | |
| **At fair value:** | | | | |
| Designated upon initial recognition: | | | | |
| Government investment issues | **1,414,505** | 1,171,196 | **-** | - |
| Unquoted Islamic private debt securities | **1,436,711** | 1,374,595 | **-** | - |
| Mandatorily measured: | | | | |
| Quoted shares in Malaysia: | | | | |
| Shariah approved equities | **166,292** | 188,017 | **-** | - |
| Others | **56,296** | 66,086 | **-** | - |
| Unquoted perpetual bond in Malaysia | **4,884** | 4,930 | **-** | - |
| Unquoted corporate debt securities | **5,576** | 7,705 | **-** | - |
| Unquoted Islamic private debt securities | **-** | 653 | **-** | - |
| Shariah approved unit trust funds | **346,407** | 358,551 | **5,181** | 38,340 |
| Real estate investment trusts: | | | | |
| - Shariah approved | **5,859** | 6,447 | **-** | - |
| - Non-Shariah approved | **8,694** | 9,273 | **-** | - |
| Derivative (i) | **69** | - | **-** | - |
| | **3,445,293** | 3,187,453 | **5,181** | 38,340 |

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

| | 2023 Notional Amount RM'000 | 2023 Asset RM'000 | 2023 Liability RM'000 |
|---|---|---|---|
| Trading derivative: | | | |
| Forward foreign exchange contract | **195,766** | **69** | **-** |

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

## 18. FINANCIAL AND OTHER ASSETS (CONT'D.)

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **(b) Financial assets at FVOCI** | | | | |
| **At fair value:** | | | | |
| Malaysian government securities | **89,773** | 99,358 | **-** | - |
| Government investment issues | **685,736** | 612,490 | **-** | - |
| Unquoted corporate debt securities | **635,572** | 753,640 | **49,632** | 49,560 |
| Unquoted Islamic private debt securities | **305,469** | 420,784 | **-** | - |
| Unquoted shares in Malaysia [(ii)] | **87,119** | 87,189 | **-** | - |
| Golf club memberships | **233** | 233 | **50** | 50 |
| | **1,803,902** | 1,973,694 | **49,682** | 49,610 |

(ii) Equity instruments designated at fair value through OCI include investments in equity shares of non-listed companies. The Group holds non-controlling interests (between 4% and 9%) in these companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

The pertinent information of the investments in unquoted shares in Malaysia are as follows:

| | Financial Park (Labuan) Sdn. Bhd. RM'000 | Malaysian Rating Corporation Berhad RM'000 | Total RM'000 |
|---|---|---|---|
| **Fair value** | | | |
| As at 1 April 2021 | 82,162 | 2,443 | 84,605 |
| Fair value movement during the year | 2,486 | 98 | 2,584 |
| As at 31 March 2022 | **84,648** | **2,541** | **87,189** |
| Fair value movement during the year | **(35)** | **(35)** | **(70)** |
| As at 31 March 2023 | **84,613** | **2,506** | **87,119** |

Disclosures on expected credit losses recognised on financial assets at FVOCI are disclosed in Note 35(a).



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 18. FINANCIAL AND OTHER ASSETS (CONT'D.)

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **(c) Financial assets at amortised cost** | | | | |
| **At amortised cost:** | | | | |
| Unquoted corporate debt securities | **-** | - | **1,000** | 1,000 |
| Deposit placements with licensed: | | | | |
| Commercial banks | **114,400** | 81,149 | **-** | - |
| Foreign banks | **533,171** | 237,092 | **-** | - |
| Islamic banks | **3,472,984** | 2,729,397 | **66,547** | 66,335 |
| Development banks | **499,349** | 519,284 | **10,445** | 10,198 |
| Islamic commercial paper | **-** | 14,926 | **-** | - |
| Commercial paper | **-** | 34,849 | **-** | - |
| Secured staff loans | **3,068** | 3,858 | **569** | 959 |
| Amounts due from subsidiaries * | **-** | - | **15,472** | 7 |
| Amounts due from associates * | **12** | 12 | **-** | - |
| Income due and accrued | **66,502** | 61,982 | **442** | 496 |
| Amount due from Insurance Pool accounts | **48** | 8,516 | **-** | - |
| Due from Lloyds' syndicate | **50,812** | 62,666 | **-** | - |
| Sundry receivables | **37,253** | 55,529 | **341** | 280 |
| | **4,777,599** | 3,809,260 | **94,816** | 79,275 |
| **Other assets:** | | | | |
| Other receivables | **168** | 73 | **-** | - |
| Prepayments | **6,754** | 5,503 | **367** | 377 |
| | **4,784,521** | 3,814,836 | **95,183** | 79,652 |

All items above, other than other receivables and prepayments, are financial assets measured at amortised cost. The carrying amounts disclosed above approximate fair value due to their relatively short term nature.

* *The carrying amounts disclosed are non-trade in nature, unsecured, not subject to any interest/profit elements and repayable on demand.*

## 18. FINANCIAL AND OTHER ASSETS (CONT'D.)

### (d) Average effective interest rate

Average effective interest rates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts, are as below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Debt securities | **4.61%** | 3.98% | **4.48%** | 4.48% |
| Staff loans | **2.33%** | 2.54% | **3.04%** | 3.04% |
| Deposits with financial institutions | **3.24%** | 1.87% | **3.56%** | 2.55% |

## 19. DEFERRED TAX ASSETS/(LIABILITIES)

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At 1 April | **35,152** | 11,676 | **4,435** | 1,617 |
| Recognised in: | | | | |
| Income statements (Note 12) | **6,054** | 19,944 | **(524)** | 2,818 |
| Participants' funds (Note 12) | **(504)** | 1,033 | **-** | - |
| Other comprehensive income | **(2,802)** | 2,499 | **87** | - |
| At 31 March | **37,900** | 35,152 | **3,998** | 4,435 |

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 relates to the same authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Deferred tax assets | **42,618** | 38,330 | **3,998** | 4,435 |
| Deferred tax liabilities | **(4,718)** | (3,178) | **-** | - |
| | **37,900** | 35,152 | **3,998** | 4,435 |





## 19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

| Group | Provisions and payables RM'000 | Unabsorbed/ accelerated capital allowances RM'000 | Impairment losses on loans and receivables RM'000 | Premium/ contribution and expense liabilities RM'000 | Financial assets RM'000 | Revaluation of land and buildings RM'000 | Unutilised business losses and others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | |
| At 1 April 2022 | **8,653** | **(1,201)** | **2,021** | **22,993** | **5,471** | **(10,054)** | **7,269** | **35,152** |
| Recognised in: | | | | | | | | |
| Income statements (Note 12) | **5,554** | **(1,300)** | **-** | **4,176** | **(146)** | **-** | **(2,230)** | **6,054** |
| Participants' fund (Note 12) | **1,919** | **45** | **(206)** | **255** | **(2,481)** | **-** | **(36)** | **(504)** |
| Other comprehensive income | **-** | **-** | **-** | **-** | **(2,395)** | **(407)** | **-** | **(2,802)** |
| At 31 March 2023 | **16,126** | **(2,456)** | **1,815** | **27,424** | **449** | **(10,461)** | **5,003** | **37,900** |
| **2022** | | | | | | | | |
| At 1 April 2021 | 5,460 | (524) | 3,776 | 10,815 | (4,113) | (7,620) | 3,882 | 11,676 |
| Recognised in: | | | | | | | | |
| Income statements (Note 12) | 4,212 | (677) | - | 12,165 | 683 | - | 3,561 | 19,944 |
| Participants' fund (Note 12) | (1,019) | - | (1,755) | 13 | 3,968 | - | (174) | 1,033 |
| Other comprehensive income | - | - | - | - | 4,933 | (2,434) | - | 2,499 |
| At 31 March 2022 | 8,653 | (1,201) | 2,021 | 22,993 | 5,471 | (10,054) | 7,269 | 35,152 |

The amendments to section 60AA of the Income Tax Act 1967 has been introduced in Budget 2022 and subsequently gazetted on 31 December 2021 via the Finance Act 2021. Consequent to the amendments, management expenses incurred by the Shareholder's Fund of family takaful operators are now allowed as deductible for the purpose of computing taxable income from YA 2022 onwards.

## 19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The components and movements of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows (cont'd.):

| Company | Unabsorbed/ accelerated capital allowances RM'000 | Unutilised business losses RM'000 | Provisions and payables RM'000 | Financial assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| At 1 April 2022 | **(535)** | **3,600** | **1,370** | **-** | **4,435** |
| Recognised in: | | | | | |
| Income statements (Note 12) | **357** | **(1,600)** | **719** | **-** | **(524)** |
| Other comprehensive income (Note 12) | **-** | **-** | **-** | **87** | **87** |
| At 31 March 2023 | **(178)** | **2,000** | **2,089** | **87** | **3,998** |
| **2022** | | | | | |
| At 1 April 2021 | (120) | - | 1,737 | - | 1,617 |
| Recognised in income statements (Note 12) | (415) | 3,600 | (367) | - | 2,818 |
| At 31 March 2022 | (535) | 3,600 | 1,370 | - | 4,435 |





## 19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax assets in respect of the following items of the Group and the Company have not been recognised as the probability of recognition cannot be determined with certainty given the lack of assessable profits in current and prior years.

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Unutilised business losses | **8,103** | 8,486 | **-** | 383 |

The unutilised tax losses of the Group and the Company are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

The Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised tax losses. The unutilised tax losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 7 consecutive years of assessment (i.e. from years of assessment 2019 to 2025) and any balance of the unutilised losses thereafter shall be disregarded.

Based on the Act, for any unutilised tax losses that originated from the year of assessment 2019 onwards, these were allowed to be carried forward for a maximum period of 7 consecutive years of assessments immediately following that originating year of assessment and any balance of the unutilised tax losses thereafter shall be disregarded.

However, following the Budget 2022 announcement and the gazetting of the Finance Act 2021 on 31 December 2021, any accumulated unutilised tax losses from the year of assessment 2019 onwards can now be carried forward to a maximum of 10 consecutive years of assessments and any balance of the unutilised tax losses thereafter shall be disregarded. This will be effective retrospectively from years of assessment 2019 (i.e. from years of assessment 2019 to 2028).

## 20. INSURANCE/TAKAFUL CONTRACT LIABILITIES

| | 2023 Gross RM'000 | 2023 Reinsurance/ retakaful RM'000 | 2023 Net RM'000 | 2022 Gross RM'000 | 2022 Reinsurance/ retakaful RM'000 | 2022 Net RM'000 |
|---|---|---|---|---|---|---|
| General reinsurance/takaful/retakaful funds (Note (a)) | **4,200,242** | **(716,062)** | **3,484,180** | 3,799,924 | (844,875) | 2,955,049 |
| Family takaful/retakaful funds (Note (b)) | **3,871,902** | **(134,630)** | **3,737,272** | 3,586,246 | (107,396) | 3,478,850 |
| Expense liabilities (Note (c)) | **118,240** | **-** | **118,240** | 100,887 | - | 100,887 |
| Total | **8,190,384** | **(850,692)** | **7,339,692** | 7,487,057 | (952,271) | 6,534,786 |
| **(a) General reinsurance/takaful/ retakaful funds** | | | | | | |
| Claim liabilities (Note (i)) | **3,502,279** | **(616,713)** | **2,885,566** | 3,178,822 | (772,159) | 2,406,663 |
| Premium/contribution liabilities (Note (ii)) | **697,963** | **(99,349)** | **598,614** | 621,102 | (72,716) | 548,386 |
| | **4,200,242** | **(716,062)** | **3,484,180** | 3,799,924 | (844,875) | 2,955,049 |
| **(i) Claim liabilities** | | | | | | |
| At 1 April | **3,178,822** | **(772,159)** | **2,406,663** | 2,305,694 | (306,976) | 1,998,718 |
| Claims incurred in the current underwriting/accident year | **779,666** | **(186,815)** | **592,851** | 1,085,925 | (506,662) | 579,263 |
| Adjustment to claims incurred in prior underwriting/accident years due to changes in IBNR and PRAD | **218,045** | **(20,487)** | **197,558** | 112,709 | (22,742) | 89,967 |
| Movements in claims incurred in prior underwriting/accident years | **715,964** | **(50,956)** | **665,008** | 532,376 | (48,237) | 484,139 |
| Claims paid during the year | **(1,390,218)** | **413,704** | **(976,514)** | (857,882) | 112,458 | (745,424) |
| At 31 March | **3,502,279** | **(616,713)** | **2,885,566** | 3,178,822 | (772,159) | 2,406,663 |





## 20. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONT'D.)

| | 2023 Gross RM'000 | 2023 Reinsurance/ retakaful RM'000 | 2023 Net RM'000 | 2022 Gross RM'000 | 2022 Reinsurance/ retakaful RM'000 | 2022 Net RM'000 |
|---|---|---|---|---|---|---|
| **(a) General reinsurance/takaful/retakaful funds (cont'd.)** | | | | | | |
| **(ii) Premium/contribution liabilities** | | | | | | |
| At 1 April | **621,102** | **(72,716)** | **548,386** | 535,328 | (58,229) | 477,099 |
| Premiums/contributions written in the year | **2,609,198** | **(395,788)** | **2,213,410** | 2,263,941 | (420,260) | 1,843,681 |
| Premiums/contributions earned during the year | **(2,532,337)** | **369,155** | **(2,163,182)** | (2,178,167) | 405,773 | (1,772,394) |
| At 31 March | **697,963** | **(99,349)** | **598,614** | 621,102 | (72,716) | 548,386 |
| **(b) Family takaful/retakaful funds** | | | | | | |
| Provision for claims reported by contract holders | **148,217** | **(28,702)** | **119,515** | 114,255 | (22,294) | 91,961 |
| Participants' Investment Fund ("PIF") | **3,090,251** | **-** | **3,090,251** | 2,893,271 | - | 2,893,271 |
| Participants' Risk Fund ("PRF") | **407,903** | **(105,928)** | **301,975** | 371,470 | (85,102) | 286,368 |
| Net asset value attributable to unitholders | **225,531** | **-** | **225,531** | 207,250 | - | 207,250 |
| | **3,871,902** | **(134,630)** | **3,737,272** | 3,586,246 | (107,396) | 3,478,850 |

## 20. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONT'D.)

**(b) Family takaful/retakaful funds (cont'd.)**

| | 2023 Gross RM'000 | 2023 Reinsurance/ retakaful RM'000 | 2023 Net RM'000 | 2022 Gross RM'000 | 2022 Reinsurance/ retakaful RM'000 | 2022 Net RM'000 |
|---|---|---|---|---|---|---|
| At 1 April | **3,586,246** | **(107,396)** | **3,478,850** | 3,411,712 | (92,029) | 3,319,683 |
| Net earned contributions | **732,517** | **(107,964)** | **624,553** | 663,094 | (104,651) | 558,443 |
| Net creation of units | **50,362** | **-** | **50,362** | 60,683 | - | 60,683 |
| Liabilities paid for death, maturities, surrenders, benefits and claims | **(439,436)** | **92,722** | **(346,714)** | (406,183) | 79,678 | (326,505) |
| Net cancellation of units | **(13,058)** | **-** | **(13,058)** | (18,703) | - | (18,703) |
| Benefits and claims experience variation | **33,962** | **(6,408)** | **27,554** | 31,939 | (8,664) | 23,275 |
| Fees deducted | **(230,807)** | **-** | **(230,807)** | (217,801) | - | (217,801) |
| Other revenue | **(18,084)** | **-** | **(18,084)** | (18,155) | - | (18,155) |
| Transfer to shareholder's fund | **(16,727)** | **-** | **(16,727)** | (16,916) | - | (16,916) |
| Increase in reserve | **186,927** | **(5,584)** | **181,343** | 96,576 | 18,270 | 114,846 |
| At 31 March | **3,871,902** | **(134,630)** | **3,737,272** | 3,586,246 | (107,396) | 3,478,850 |





## 20. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONT'D.)

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **(c) Expense liabilities** | | |
| At 1 April | **100,887** | 88,256 |
| Increase during the year | **17,353** | 12,631 |
| At 31 March | **118,240** | 100,887 |

## 21. INSURANCE/TAKAFUL RECEIVABLES

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| Due contributions including agents' balances | **133,292** | 102,441 |
| Amounts due from brokers and ceding companies | **588,327** | 529,124 |
| | **721,619** | 631,565 |
| Less: Allowance for impairment | **(15,078)** | (16,739) |
| | **706,541** | 614,826 |
| Offsetting insurance/takaful receivables and insurance/takaful payables (Note 25) | | |
| Gross amounts of recognised insurance/takaful receivables | **2,286,151** | 1,389,106 |
| Less: Gross amounts of recognised insurance/takaful payables set off in the statements of financial position | **(1,564,532)** | (757,541) |
| Net amounts of insurance/takaful receivables before impairment presented in the statements of financial position | **721,619** | 631,565 |

Included in gross amounts due from brokers and ceding companies is an amount of RM60,524 (2022: RM81,820) due from an associate, Labuan Reinsurance (L) Ltd. The amount receivable is subject to settlement terms stipulated in the reinsurance contracts.

The carrying amount disclosed above approximates fair value due to its relatively short term nature.

Disclosures on the movement of the allowance for impairment losses on insurance/takaful receivables are presented in Note 35(a).



OUR BUSINESS
PERFORMANCE & OUTLOOK
FINANCIAL REVIEW
GOVERNANCE
FINANCIAL REPORT
OTHER INFORMATION

## 22. TAX RECOVERABLE/(PAYABLE)

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| Tax recoverable | **42,423** | 50,702 | **19,684** | 19,821 |
| Tax payable | **(7,746)** | (5,319) | **-** | - |
| | **34,677** | 45,383 | **19,684** | 19,821 |

Included in the total tax recoverable are two pending appeal cases and tax paid in excess to the Inland Revenue Board ("IRB"). The pending appeal cases relate to the Company and Takaful IKHLAS Family, as follows:

(i) The IRB had, on 8 September 2017, issued notices of additional assessment (i.e. Forms JA) to the Company for the years of assessment ("YA") 2008 to 2014, disallowing the interest expense that the Company had deducted as part of its business expense in arriving at the taxable profit.

The Company disagreed with the additional assessment imposed by IRB and had submitted a notice of appeal by filing Form Q with the Special Commissioner of Income Tax ("SCIT") on 6 October 2017. The SCIT has fixed 15 and 16 November 2023 for the hearing.

Notwithstanding the appeal and the hearing, the Company had paid the total amount payable of RM19,684,000 being the additional tax payable of RM13,576,000 and a penalty of RM6,109,000. The Company is also at liberty to pursue an amicable settlement of this matter.

(ii) The IRB had, on 28 December 2018, issued notices of additional assessments to Takaful IKHLAS Family for YA 2011 and 2013 for RM3,052,000 and RM2,147,000 respectively.

Takaful IKHLAS Family disagreed with the additional assessment imposed by IRB for the above YA and had submitted a notice of appeal by filing Form Q with the Special Commissioner of Income Tax ("SCIT") on 24 January 2019. The SCIT had fixed a preliminary hearing of the appeal by Takaful IKHLAS Family on 24 April 2020. The management and the IRB are currently in the midst of finalising the case papers for the proposed hearing.

Notwithstanding the appeal and the proposed hearing before the SCIT, Takaful IKHLAS Family had paid the total amount payable of RM5,199,000. Takaful IKHLAS Family is also at liberty to pursue an amicable settlement of this matter.

Takaful IKHLAS Family is of the view that there are strong justifications for its appeal and has treated the said payment as tax recoverable. As at the date of the financial statements, there have been no further developments on this matter.



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 23. PARTICIPANTS' FUNDS

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| **Participants' funds comprise the following:** | | |
| Accumulated surplus (Note (a)) | **365,117** | 358,007 |
| Fair value reserves (Note (b)) | **(1,175)** | (1,486) |
| Revaluation surplus (Note (c)) | **40,306** | 37,888 |
| | **404,248** | 394,409 |
| **(a) Accumulated surplus** | | |
| At 1 April | **358,007** | 339,070 |
| Net surplus of the general and family takaful and retakaful funds | **10,110** | 17,585 |
| Net surplus of the retakaful funds to shareholders | **-** | 9,354 |
| Hibah payable to participants during the year | **(3,000)** | (8,002) |
| At 31 March | **365,117** | 358,007 |
| **(b) Fair value reserves** | | |
| At 1 April | **(1,486)** | 2,693 |
| Net gains/(losses) on fair value changes | **2,015** | (5,045) |
| Realised gains transferred to income statements | **(1,575)** | (394) |
| Deferred tax on fair value changes | **(129)** | 1,260 |
| Net change in fair value reserves attributable to participants | **311** | (4,179) |
| At 31 March | **(1,175)** | (1,486) |
| **(c) Revaluation surplus** | | |
| At 1 April | **37,888** | 35,961 |
| Recognised in other comprehensive income | **2,628** | 2,095 |
| Deferred tax on revaluation surplus | **(210)** | (168) |
| Net change in revaluation surplus attributable to participants | **2,418** | 1,927 |
| At 31 March | **40,306** | 37,888 |

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 24. BORROWING

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| Sukuk Murabahah Programme | **520,000** | 320,000 | **320,000** | 320,000 |

**Sukuk Murabahah Programme**
On 22 March 2019, the Group and the Company issued an RM320,000,000 nominal value subordinated sukuk which qualifies as Tier-2 capital under the RBC/RBCT Framework issued by BNM. The subordinated MTN carries a tenure of ten (10) years from issue date on a 10-years, non-callable 5-year basis with a fixed interest rate of 5.20% per annum payable in semi-annually in arrears.

**Medium Term Notes ("MTN")**
On 26 October 2022, the Group issued an additional RM200,000,000 nominal value subordinated MTN which qualifies as Tier-2 capital under the RBC/RBCT Framework issued by BNM. The subordinated MTN carries a tenure of ten (10) years from issue date on a 10-years, non-callable 5-year basis with a fixed interest rate of 5.21% per annum payable in semi-annually in arrears.

## 25. INSURANCE/TAKAFUL PAYABLES

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| Due to agents, brokers, retrocessionaires and retakaful operators | **306,616** | 305,499 |

Offsetting insurance/takaful receivables and insurance/takaful payables (Note 21)

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| Gross amounts of recognised insurance/takaful payables | **1,871,148** | 1,063,040 |
| Less: Gross amounts of recognised insurance/takaful receivables set off in the statements of financial position | **(1,564,532)** | (757,541) |
| Net amounts of insurance/takaful payables presented in the statements of financial position | **306,616** | 305,499 |

Included in gross amounts due to brokers and retrocessionaires is an amount of RM689,041 (2022: RM503,135) due to an associate, Labuan Reinsurance (L) Ltd. The amount payable is subject to settlement terms stipulated in the reinsurance contracts.

The carrying amounts disclosed above approximate fair values due to their relatively short term nature.

## 26. OTHER PAYABLES

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| Advance contributions | **6,953** | 3,485 | **-** | - |
| Deposit contributions | **43,789** | 52,163 | **-** | - |
| Provisions | **66,480** | 53,051 | **7,651** | 5,924 |
| Amount due to subsidiaries * | **-** | - | **-** | 12,256 |
| Agency provident fund | **4,469** | 4,277 | **-** | - |
| Amount due to participants | **5,813** | 8,341 | **-** | - |
| Surplus payables | **22,647** | 21,256 | **-** | - |
| Sundry payables | **185,518** | 135,220 | **11,822** | 4,982 |
| | **335,669** | 277,793 | **19,473** | 23,162 |

* *These amounts are non-trade in nature, unsecured, not subject to any interest/profit elements and repayable on demand.*

The carrying amounts disclosed above approximate fair values due to their relatively short term nature.

## 27. SHARE CAPITAL

| Group and Company | Number of ordinary shares 2023 '000 | Number of ordinary shares 2022 '000 | Amount 2023 RM'000 | Amount 2022 RM'000 |
|---|---|---|---|---|
| **Issued and fully paid:** | | | | |
| At 1 April / 31 March | **783,088** | 783,088 | **738,502** | 738,502 |

## 28. DIVIDEND

| | Group and Company | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| **Recognised during the financial year:** | | |
| Final single-tier dividend of 4.0 sen per ordinary share on 783,086,696 ordinary shares, declared on 24 September 2021 and paid on 27 October 2021 | **-** | 31,323 |
| Final single-tier dividend of 2.5 sen per ordinary share on 783,086,696 ordinary shares, declared on 26 July 2022 and paid on 31 October 2022 | **19,577** | - |

## 29. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the holding company by the number of ordinary shares in issue during the year.

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net profit for the year (RM'000) | **119,473** | 114,422 | **12,556** | 69,758 |
| Weighted average number of ordinary shares in issue ('000) (Note 27) | **783,088** | 783,088 | **783,088** | 783,088 |
| Basic and diluted earnings per share (sen) | **15.3** | 14.6 | **1.6** | 8.9 |

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.





## 30. CAPITAL COMMITMENTS AND CONTINGENCIES

The commitments of the Group and of the Company as at the end of financial year are as follows:

### Capital Commitments

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Authorised and contracted for: | | | | |
| - Property, plant and equipment | **6,385** | 1,268 | **2,898** | 99 |
| - Intangible assets* | **10,326** | 11,803 | **2,076** | 105 |
| | **16,711** | 13,071 | **4,974** | 204 |
| Authorised but not contracted for: | | | | |
| - Property, plant and equipment | **12,360** | 5,586 | **867** | 1,337 |
| - Intangible assets* | **21,301** | 21,470 | **327** | 1,740 |
| | **33,661** | 27,056 | **1,194** | 3,077 |

* *Relating to purchases for enhancements of the computer system of the Group and the Company and the reinsurance/retakaful and takaful subsidiaries.*

### Contingencies

The Group has provided bank guarantees on the services contracts with external parties of RM520,458 (2022: RM452,412) in the form of cash deposit in margin accounts.

## 31. RELATED PARTY DISCLOSURES

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

Key management personnel are 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 include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company.

## 31. RELATED PARTY DISCLOSURES (CONT'D.)

**(a) The significant transactions with related parties are as follows:**

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **Income/(expenses):** | | | | |
| **Transactions with subsidiaries:** | | | | |
| Management fee income | - | - | 61,317 | 44,802 |
| Management fee expense | - | - | (407) | (978) |
| Net dividend income | - | - | 23,000 | 81,000 |
| Management expense chargeback | - | - | 5,505 | 5,771 |
| Payment of lease liabilities | - | - | (1,101) | (1,019) |
| Rental income | - | - | 8 | 8 |
| Rental expense for property | - | - | (142) | - |
| Interest income | - | - | 2,239 | 156 |
| Gross contribution paid | - | - | (837) | (719) |
| **Transactions with an associate:** | | | | |
| Net reinsurance inwards | 4,886 | 324 | - | - |
| Gross contributions | 19 | - | - | - |
| Retakaful outward contributions | (6,453) | (7,422) | - | - |
| Retakaful commission income | 613 | 671 | - | - |
| Claims recoveries | 4,629 | 6,428 | - | - |

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**(b) Related party balances**

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

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **Balances with subsidiaries:** | | | | |
| Unquoted corporate debt securities | - | - | 50,632 | 50,560 |
| Other receivables/(payables) | - | - | 15,472 | (12,249) |
| **Balances with an associate:** | | | | |
| Takaful certificate payables | (629) | (422) | - | - |
| Reinsurance/retakaful certificate assets | 6,112 | 7,555 | - | - |





## 31. RELATED PARTY DISCLOSURES (CONT'D.)

**(c) The key management personnel compensations are as follows:**

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| **PGCEO/Executive director of the subsidiaries:** | | | | |
| Salaries and bonus | 1,442 | 1,416 | 1,442 | 1,416 |
| Pension costs - EPF and SOCSO | 245 | 243 | 245 | 243 |
| Benefits-in-kind | 18 | 18 | 18 | 18 |
| Others | 38 | 50 | 38 | 50 |
| | 1,743 | 1,727 | 1,743 | 1,727 |
| **Non-executive directors of the Company:** | | | | |
| Fees | 1,233 | 1,438 | 667 | 738 |
| Others | 363 | 424 | 171 | 203 |
| Benefits-in-kind | 31 | 31 | 31 | 31 |
| | 1,627 | 1,893 | 869 | 972 |
| **Non-executive directors of subsidiaries:** | | | | |
| Fees | 998 | 1,186 | - | - |
| Others | 309 | 348 | - | - |
| | 1,307 | 1,534 | - | - |
| **Shariah Committee members:** | | | | |
| Fees | 180 | 173 | - | - |
| Meeting allowances | 45 | 55 | - | - |
| | 225 | 228 | - | - |
| **Other key management personnel's remuneration:** | | | | |
| Salaries and bonus | 16,755 | 16,458 | 5,771 | 5,554 |
| Pension costs - EPF and SOCSO | 2,659 | 2,693 | 850 | 890 |
| Allowances | 2,537 | 2,274 | 360 | 734 |
| | 21,951 | 21,425 | 6,981 | 7,178 |

## 32. SEGMENT INFORMATION

| Group | Investment holding RM'000 | Reinsurance business RM'000 | Takaful operator RM'000 | Retakaful operator RM'000 | Others RM'000 | Adjustments and eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| **Results** | | | | | | | |
| Net earned premiums/contributions | - | 1,695,150 | 1,076,422 | 68,143 | - | (1,618) | 2,838,097 |
| Interest/profit income | 4,451 | 114,589 | 185,537 | 5,144 | 44 | (2,239) | 307,526 |
| Other revenue | 84,965 | 11,373 | 131,182 | 539 | 8,696 | (90,576) | 146,179 |
| Net claims and benefits | - | (1,192,710) | (812,337) | (55,506) | - | - | (2,060,553) |
| Other expenses | (55,145) | (537,277) | (460,184) | (12,232) | (7,616) | 70,614 | (1,001,840) |
| Depreciation of property, plant and equipment | (1,210) | (3,744) | (2,752) | - | (186) | - | (7,892) |
| Depreciation of right-of-use assets | (1,023) | - | (2,487) | - | (426) | 2,532 | (1,404) |
| Amortisation of intangible assets | (1,295) | (869) | (18,559) | - | - | - | (20,723) |
| Finance costs | (16,668) | (6,693) | (418) | - | (37) | 2,211 | (21,605) |
| Share of results of associates | - | - | - | - | - | (16,725) | (16,725) |
| **Operating profit before surplus attributable to takaful and retakaful participants and taxation** | 14,075 | 79,819 | 96,404 | 6,088 | 475 | (35,801) | 161,060 |
| Surplus attributable to takaful and retakaful participants | - | - | (13,329) | 3,219 | - | - | (10,110) |
| **Operating profit before taxation** | 14,075 | 79,819 | 83,075 | 9,307 | 475 | (35,801) | 150,950 |
| Zakat | - | - | (1,340) | (89) | - | - | (1,429) |
| Taxation | (1,519) | (6,875) | (20,839) | (815) | - | - | (30,048) |
| **Net profit for the year** | 12,556 | 72,944 | 60,896 | 8,403 | 475 | (35,801) | 119,473 |



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 32. SEGMENT INFORMATION (CONT'D.)

| Group (cont'd.) | Investment holding RM'000 | Reinsurance business RM'000 | Takaful operator RM'000 | Retakaful operator RM'000 | Others RM'000 | Adjustments and eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **Results** | | | | | | | |
| Net earned premiums/contributions | - | 1,413,840 | 924,934 | 54,281 | - | (1,536) | 2,391,519 |
| Interest/profit income | 2,770 | 79,011 | 163,006 | 5,005 | 11 | (156) | 249,647 |
| Other revenue | 126,792 | 25,678 | 40,797 | 303 | 8,000 | (142,392) | 59,178 |
| Net claims and benefits | - | (978,145) | (638,705) | (22,191) | - | - | (1,639,041) |
| Other expenses | (42,162) | (481,332) | (389,492) | (17,809) | (6,577) | 56,424 | (880,948) |
| Depreciation of property, plant and equipment | (947) | (2,879) | (2,937) | - | (320) | - | (7,083) |
| Depreciation of right-of-use assets | (1,043) | - | (2,531) | - | (448) | 2,228 | (1,794) |
| Amortisation of intangible assets | (1,220) | (1,151) | (9,825) | (116) | (23) | - | (12,335) |
| Finance costs | (16,719) | (156) | (210) | - | (27) | 267 | (16,845) |
| Share of results of associates | - | - | - | - | - | 2,769 | 2,769 |
| **Operating profit before surplus attributable to takaful and retakaful participants and taxation** | 67,471 | 54,866 | 85,037 | 19,473 | 616 | (82,396) | 145,067 |
| Surplus attributable to takaful and retakaful participants | - | - | (14,215) | (3,370) | - | - | (17,585) |
| **Operating profit before taxation** | 67,471 | 54,866 | 70,822 | 16,103 | 616 | (82,396) | 127,482 |
| Zakat | - | - | (1,034) | (113) | - | - | (1,147) |
| Taxation | 2,287 | (7,376) | (6,140) | (680) | (4) | - | (11,913) |
| **Net profit for the year** | 69,758 | 47,490 | 63,648 | 15,310 | 612 | (82,396) | 114,422 |

## 32. SEGMENT INFORMATION (CONT'D.)

| Group (cont'd.) | Investment holding RM'000 | Reinsurance business RM'000 | Takaful operator RM'000 | Retakaful operator RM'000 | Others RM'000 | Adjustments and eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets [i] | 1,492,417 | 5,471,108 | 6,439,821 | 214,507 | 15,236 | (1,397,670) | 12,235,419 |
| Investments in associates | 1,957 | 113,812 | - | - | - | 6,395 | 122,164 |
| | 1,494,374 | 5,584,920 | 6,439,821 | 214,507 | 15,236 | (1,391,275) | 12,357,583 |
| **Liabilities and Participants' funds** | | | | | | | |
| Segment liabilities | | | | | | | |
| Participants' funds | - | - | 375,569 | 28,679 | - | - | 404,248 |
| Borrowing | 320,000 | 251,000 | - | - | - | (51,000) | 520,000 |
| Insurance and takaful contract liabilities | - | 3,258,337 | 4,798,717 | 148,535 | - | (15,205) | 8,190,384 |
| Other liabilities | 19,473 | 228,146 | 441,968 | (3,401) | 1,578 | (27,386) | 660,378 |
| | 339,473 | 3,737,483 | 5,616,254 | 173,813 | 1,578 | (93,591) | 9,775,010 |
| **Equities** | | | | | | | |
| Segment equities [i] | 1,154,901 | 1,847,437 | 823,567 | 40,694 | 13,658 | (1,297,684) | 2,582,573 |
| **Total liabilities, participants' funds and equity** | 1,494,374 | 5,584,920 | 6,439,821 | 214,507 | 15,236 | (1,391,275) | 12,357,583 |





## 32. SEGMENT INFORMATION (CONT'D.)

| Group (cont'd.) | Investment holding RM'000 | Reinsurance business RM'000 | Takaful operator RM'000 | Retakaful operator RM'000 | Others RM'000 | Adjustments and eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets [i] | 1,504,040 | 4,953,462 | 5,855,510 | 200,331 | 14,608 | (1,389,886) | 11,138,065 |
| Investments in associates | 1,957 | 120,369 | - | - | - | 11,768 | 134,094 |
| | 1,505,997 | 5,073,831 | 5,855,510 | 200,331 | 14,608 | (1,378,118) | 11,272,159 |
| **Liabilities and Participants' funds** | | | | | | | |
| Segment liabilities | | | | | | | |
| Participants' funds | - | - | 362,388 | 32,021 | - | - | 394,409 |
| Borrowing | 320,000 | 51,000 | - | - | - | (51,000) | 320,000 |
| Insurance and takaful contract liabilities | - | 3,035,409 | 4,343,618 | 124,305 | - | (16,275) | 7,487,057 |
| Other liabilities | 24,235 | 213,617 | 365,748 | 11,681 | 2,026 | (18,288) | 599,019 |
| | 344,235 | 3,300,026 | 5,071,754 | 168,007 | 2,026 | (85,563) | 8,800,485 |
| **Equities** | | | | | | | |
| Segment equities [i] | 1,161,762 | 1,773,805 | 783,756 | 32,324 | 12,582 | (1,292,555) | 2,471,674 |
| **Total liabilities, participants' funds and equity** | 1,505,997 | 5,073,831 | 5,855,510 | 200,331 | 14,608 | (1,378,118) | 11,272,159 |

[i] *Included in segment assets is Qard granted to the general and family retakaful funds by the shareholder's fund of the retakaful division of the reinsurance subsidiary, amounting to RM56.8 million (2022: RM56.9 million). Qard represents a loan to the general and family retakaful funds to make good any underwriting deficit experienced during a financial period. These balances, including the impairment losses recognised thereon amounting to RM52.7 million (2022: RM52.7 million), have been eliminated in full upon consolidation.*

## 33. RISK MANAGEMENT FRAMEWORK

The Group Risk Management Framework and Policy ("RM Framework") was established to provide a set of guidelines for implementing risk management throughout the Group. It encompasses the Group's risk management:

(i) **strategy,** by having appropriate risk management objectives, policy and appetite;

(ii) **architecture,** by setting up risk management roles and responsibilities, communication and reporting structure; and

(iii) **protocols,** by describing the procedures, methodologies, tools and techniques for risk management.

Risk management is the process of identifying, assessing, measuring, controlling, mitigating, and continuously monitoring the risks in respect of the Group as a whole. It involves regular self-assessments of all reasonably foreseeable and material risks that the Group faces, including their inter-relationships and the maintenance of a link between ongoing risk management and mid to long term business goals, strategies and capital needs.

The RM Framework aims to serve as a guide for the effective management of risks throughout the Group. The Framework is intended to provide guidance to the Group in performing its risk management roles and responsibilities and ultimately aims to support the achievement of the Group's strategic and financial objectives.

The primary objectives of the RM Framework are as follows:

(i) Embeds the Risk Management process and ensures it is an integral part of the Group's planning process at a strategic and operational level;

(ii) Facilitates effective risk oversight through a clear internal risk governance structure and responsibilities;

(iii) Create a risk awareness culture from a strategic, operational, and individual perspective;

(iv) Give credibility to the process and engage management's attention to the treatment, monitoring, reporting and review of identified risks as well as considering new and emerging risks on a continuous basis;

(v) Allow the Group and operating entities to proactively manage their risks in a systematic and structured way and to continually refine their processes to reduce their risk profile, thereby maintaining a safer environment for their stakeholders;

(vi) Ensure appropriate strategies are in place to mitigate risks and maximize opportunities;

(vii) Align the Group's risk management practices with its sustainability principles;





## 33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

The primary objectives of the RM Framework are as follows (cont'd.):

(viii) Provides a single point of reference for managing risks in a systematic and structured way; and

(ix) Standardises risk terminologies across the Group to facilitate a consistent and uniform approach in managing risks.

In pursuit of the above objectives, it is the Group's policy to adhere to, and comply with, all relevant governance and regulatory requirements and implement best practices with regards to risk management principles. The Group also aims to uphold high standards of business practices in all its activities.

### (a) Risk management governance

The Risk Management governance structure is as follows:

(i) The Board had established a dedicated Board Committee known as the Risk Management Committee of the Board ("RMCB") to support the Board in meeting the expectations and responsibilities on the risk and compliance management, provides assurance to the Board that the processes have been carried out effectively and inculcates a risk management culture on a group-wide basis. This is replicated at each of the main operating subsidiaries (Malaysian Reinsurance Berhad, Takaful IKHLAS Family Berhad and Takaful IKHLAS General Berhad);

(ii) The Audit Committee was established to complement the role of the Board by providing an independent assessment of the adequacy and effectiveness of governance, risk management and internal control. The Audit Committee is assisted by an independent Internal Audit Department in performing its role;

(iii) The Group Shariah Committee ("GSC") was established to provide objective and sound advice to the Group to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah;

(iv) The Group Management Committee ("GMC"), together with the Senior Management Committee ("SMC") of its main operating subsidiaries oversee the implementation of risk and compliance management processes, establish and implement appropriate organisational structures and systems for managing financial and non-financial risks;

(v) The Group Management Risk & Compliance Committee ("GMRCC"), which comprises the President & Group Chief Executive Officer, the President & Chief Executive Officer and selected members of Senior Management from MNRB and its main operating subsidiaries to support the GMC/respective SMCs to implement the risk and compliance management processes, establish clear guidance in managing the Group's risk to ensure its alignment to their respective risk appetite for all business strategies and activities;

## 33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

### (a) Risk management governance (cont'd.)

(vi) The Group Chief Risk Officer ("GCRO") and Risk Management Department ("RMD") establish the infrastructure and provide oversight over the risk management processes in MNRB and across the main operating subsidiaries through the adoption of the RM Framework; and

(iv) At the operational level, the implementation of risk management processes in the day-to-day operations of the Group is consistent with the RM Framework.

The Board had also established a dedicated Group Investment Committee to further oversee risks associated with investments and assets allocation strategies. This is also replicated at each of the main operating subsidiaries. Further, the Group has established Investment Policies at each main operating subsidiary to ensure proper risk management by investing in low-risk assets, deposits with licensed financial institutions, debt securities and other marketable securities.

### (b) Capital management

The Internal Capital Adequacy Assessment Process ("ICAAP") encompasses the overall process where the subsidiaries ensure adequate capital is available to meet its capital requirements on an ongoing basis, under normal and stressed conditions, in line with BNM Guidelines on Internal Capital Adequacy Assessment for Insurers, Internal Capital Adequacy Assessment for Takaful Operators, Risk-Based Capital Framework for Insurers ("RBC Framework"), Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") and Policy Document on Stress Testing.

Based on the material risks identified, the main operating subsidiaries assess the overall capital adequacy, and develop the Capital Management Plan ("CMP"), where the main objective is to monitor and maintain, at all times, an appropriate level of capital which commensurate with the main operating subsidiaries' business operations and the resultant risk profiles.

The CMP outlines the criteria, mechanism and process flow to manage the level of Capital Adequacy Ratio ("CAR") of the main operating subsidiaries. This includes the thresholds, triggers, and action plans in place which could be undertaken to reduce the level of risks or strengthen capital available. The action plans shall be triggered upon the CAR reaching the respective thresholds. These actions are chosen with consideration to the possible adverse scenarios relative to normal operating conditions.

In this regard, the Group also measures and monitors its capital position through its Group Capital Adequacy Ratio ("GCAR") and Group Capital Sufficiency Indicator ("GCSI"), in line with BNM's capital requirement for Insurance Groups.





## 33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

### (c) Regulatory framework

MNRB and its main operating subsidiaries are required to comply, as applicable, with the Financial Services Act ("FSA") 2013, the Islamic Financial Services Act ("IFSA") 2013, the Companies Act 2016, other relevant Acts, and Policy Documents issued by BNM from time to time.

In line with the RBC and RBCT Framework's requirements on capital adequacy, the main operating subsidiaries actively manage their capital by taking into account the potential impact of business exposure on their business strategies, risk profiles and overall resilience.

In addition, MNRB is required to comply with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), and the Capital Markets and Services Act 2007.

### (d) Asset-liability management ("ALM") Framework

The main risk that each operating subsidiary faces due to the nature of investments and liabilities is the mismatch of assets to liabilities (investment risks). Each subsidiary manages these positions within the ALM framework to achieve long-term investment returns in excess of its obligations. The principal technique identified is to match assets to the liabilities arising from reinsurance/retakaful/takaful contracts. Amongst the mechanism to manage the ALM framework is the assessment and monitoring of the investment portfolio duration as well as the liability duration for specific risks.

An Asset-Liability Committee ("ALCO") has been established at each main subsidiary to manage and monitor asset-liability mismatch risks. The ALCO ultimately reports to the Board of the respective subsidiaries through its Group Investment Committee.

## 34. INSURANCE/TAKAFUL RISK

The following disclosures relating to the underwriting risk of the Group are presented separately for each specific business. Elimination of intra-Group transactions are not considered as the disclosures represent how each Business Unit within the Group assesses and manages underwriting risk.

### (a) General reinsurance/retakaful

#### (i) Nature of risk

The reinsurance/retakaful subsidiary principally underwrites general reinsurance and retakaful contracts in relation to the following main classes of business: Fire, Motor, Marine and Miscellaneous. Risks under these contracts usually cover a twelve-month duration other than some long-term contracts, such as construction contracts which may cover up to 3 years or more. The most significant risk arises from adverse development of claims and occurrence of new catastrophe losses. These risks vary significantly in relation to the economic conditions and territories from which the risks are underwritten.

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023



## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (a) General reinsurance/retakaful (cont'd.)

#### (i) Nature of risk (cont'd.)

The above risks are mitigated by diversification across a large portfolio of business to ensure a balanced mix and spread of business. Diversification through the implementation of underwriting strategies reduces the volatility of losses and improves the overall portfolio experience.

The table below discloses concentration on insurance/takaful contract/certificate liabilities by main classes of business, by local and overseas risks and by reinsurance and retakaful:

**Insurance/takaful contract/certificate liabilities**

| | Gross RM'000 | Retrotakaful/ Retrocession RM'000 | Net RM'000 |
|---|---|---|---|
| **2023** | | | |
| Fire | **1,735,223** | **(301,189)** | **1,434,034** |
| Motor | **517,294** | **(8,223)** | **509,071** |
| Marine | **297,935** | **(48,359)** | **249,576** |
| Miscellaneous | **821,467** | **(59,272)** | **762,195** |
| | **3,371,919** | **(417,043)** | **2,954,876** |
| Local | **1,738,053** | **(263,387)** | **1,474,666** |
| Overseas | **1,633,866** | **(153,656)** | **1,480,210** |
| | **3,371,919** | **(417,043)** | **2,954,876** |

| | Gross RM'000 | Retrotakaful/ Retrocession RM'000 | Net RM'000 |
|---|---|---|---|
| **2022** | | | |
| Fire | 1,649,121 | (534,434) | 1,114,687 |
| Motor | 464,583 | (5,735) | 458,848 |
| Marine | 292,079 | (32,148) | 259,931 |
| Miscellaneous | 721,843 | (28,860) | 692,983 |
| | 3,127,626 | (601,177) | 2,526,449 |
| Local | 1,823,121 | (542,687) | 1,280,434 |
| Overseas | 1,304,505 | (58,490) | 1,246,015 |
| | 3,127,626 | (601,177) | 2,526,449 |



34. INSURANCE/TAKAFUL RISK (CONT'D.)

(a) General reinsurance/retakaful (cont'd.)

(i) Nature of risk (cont'd.)

The losses are further mitigated by ensuring that the subsidiary's retrocession/retrotakaful arrangements are effective and adequate. Clear underwriting guidelines as approved by the Board are used to ensure all risks are written in accordance with the approved limits and catastrophe aggregates are managed within the capacity of the retrocession/retrotakaful programmes. Pricing tool ensures the risks exposures are adequately priced.

The reinsurance/retakaful subsidiary's retrocession/retrotakaful programmes are reviewed by the GMRCC and subsequently, as delegated by the Board, recommended to the RMCB for approval. Prudent standards are applied in selection of the key retrocessionaires/retrotakaful providers.

Stress testing is performed on a quarterly basis. The purpose of the stress testing is to test the solvency and financial viability of the general reinsurance/retakaful business under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, claims experience and investment environment.

#### (ii) Catastrophe risk

The risk that a single or a series of catastrophe events, usually over a short period, which leads to a high number of claims or single large loss or combination of both. The consequences of the risk is minimised by having retrocession/retrotakaful coverage in place and retention in line with the risk appetite of the reinsurance/retakaful subsidiary.

#### (iii) Premium/Contribution risk

Premium/contribution risk arises when premiums/contributions charged are insufficient to meet expected claims and expenses. This risk is mitigated by adhering to the pricing policy and ceding the risk above the respective reinsurance/retakaful subsidiary's risk appetite to retrocessionaires/retrotakaful providers with strong financial standing.

#### (iv) Reserving risk

The reinsurance/retakaful subsidiary's claim liabilities, and consequently some of the inputs used in determining its premium/contribution liabilities, are based upon previous claims experience, existing knowledge of events, the terms and conditions of relevant policies and interpretation of circumstances. Upon notification of a claim by its cedants or receipt of notification of a market loss event, the reinsurance/retakaful subsidiary sets aside reserves to meet the expected ultimate loss arising from this claim. These claim reserves are updated periodically for further developments via advice from cedants and any updates on market loss events.

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (a) General reinsurance/retakaful (cont'd.)

#### (iv) Reserving risk (cont'd.)

At each financial year, the reinsurance/retakaful subsidiary performs a test on the adequacy of its liabilities that is certified by the Appointed Actuaries, for the purpose of ensuring that claim and premium liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income statements.

#### (v) Impact on liabilities, profit and equity

**Key assumptions**

Liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant contracts and interpretation of circumstances. Particularly relevant are past experiences with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

The inherent uncertainties in estimating liabilities arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

**Sensitivity analysis**

The insurance/takaful contract liabilities are sensitive to various key factors which are both internal and external. External factors to which the reinsurance/retakaful subsidiary is sensitive to include:

(i) Claims practices of ceding companies;
(ii) Frequency and severity of claims incurred by cedants;
(iii) Changes in premium/contribution rates in insurance/takaful;
(iv) Changes in reinsurance/retakaful markets; and
(v) Legislative and regulatory changes.

The sensitivity analysis was applied to the ultimate loss ratio of the reinsurance/retakaful subsidiary by increasing or decreasing the said ratio by 5%. The increase/(decrease) was applied to the earned exposure in the last two (2) years where the uncertainty of the ultimate loss is higher as claim is at an early stage of development. The table below shows the impact on the Group's gross and net claim liabilities, profit before tax and equity should the ultimate loss ratio be increased/(decreased) by 5%:



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (a) General reinsurance/retakaful (cont'd.)

#### (v) Impact on liabilities, profit and equity (cont'd.)

**Sensitivity analysis (cont'd.)**

| 2023 | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on profit before tax* RM'000 | Impact on equity** RM'000 |
|---|---|---|---|---|
| | Increase/(decrease) | | | |
| **Increase 5%** | | | | |
| Fire | 81,667 | 79,562 | (76,034) | (69,951) |
| Marine | 14,492 | 14,115 | (13,583) | (12,497) |
| Motor | 27,682 | 26,966 | (26,966) | (24,809) |
| Miscellaneous | 43,504 | 42,374 | (40,733) | (37,474) |
| | 167,345 | 163,017 | (157,316) | (144,731) |
| **Decrease 5%** | | | | |
| Fire | (81,667) | (79,562) | 76,034 | 69,951 |
| Marine | (14,492) | (14,115) | 13,583 | 12,497 |
| Motor | (27,682) | (26,966) | 26,966 | 24,809 |
| Miscellaneous | (43,504) | (42,374) | 40,733 | 37,474 |
| | (167,345) | (163,017) | 157,316 | 144,731 |

| 2022 | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on profit before tax* RM'000 | Impact on equity** RM'000 |
|---|---|---|---|---|
| | Increase/(decrease) | | | |
| **Increase 5%** | | | | |
| Fire | 61,259 | 60,493 | (57,590) | (52,982) |
| Marine | 14,655 | 14,503 | (13,869) | (12,759) |
| Motor | 24,640 | 24,320 | (24,320) | (22,374) |
| Miscellaneous | 37,247 | 36,831 | (35,159) | (32,347) |
| | 137,801 | 136,147 | (130,938) | (120,462) |
| **Decrease 5%** | | | | |
| Fire | (61,032) | (60,493) | 57,590 | 52,982 |
| Marine | (14,630) | (14,503) | 13,869 | 12,759 |
| Motor | (24,538) | (24,320) | 24,320 | 22,374 |
| Miscellaneous | (37,155) | (36,831) | 35,159 | 32,347 |
| | (137,355) | (136,147) | 130,938 | 120,462 |

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (a) General reinsurance/retakaful (cont'd.)

#### (v) Impact on liabilities, profit and equity (cont'd.)

**Sensitivity analysis (cont'd.)**

* *The impact on profit before tax has included consideration of the impact on estimated reinstatement premium receivables.*

** *The impact on equity reflects the after tax impact.*

This analysis assumes that other factors relevant, but not significant to the valuation of claim liabilities, remain constant.

The method used in performing sensitivity analysis was consistent with the prior year.

#### (vi) Claims development table

The following tables show the estimate of cumulative ultimate incurred claims, including both claims provisions and IBNR for each successive underwriting year at each financial year end, along with cumulative claim payments to-date.

In setting provisions for claims, the general reinsurance/retakaful subsidiary gives consideration to the probability and magnitude of future experience at best estimate level with a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience for an underwriting year is the greatest when the claim is at an early stage of development.

The ultimate liability projection for Underwriting Year ("UWY") 2023 will only be available once the reinsurance/retakaful subsidiary has completed underwriting its business for the period from 1 January 2023 to 31 December 2023.





## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (a) General reinsurance/retakaful (cont'd.)

#### (vi) Claims development table (cont'd.)

**Gross general reinsurance/retakaful contract liabilities for 2023:**

| Underwriting year | Before 2015 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | Subtotal RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At the end of underwriting year | | 707,937 | 684,259 | 782,335 | 849,676 | 942,404 | 1,005,332 | 1,576,477 | 1,286,678 | |
| One year later | | 762,054 | 824,967 | 707,863 | 960,687 | 909,028 | 1,053,165 | 1,690,061 | | |
| Two years later | | 816,207 | 786,520 | 692,333 | 903,133 | 859,348 | 1,016,896 | | | |
| Three years later | | 805,460 | 791,267 | 692,481 | 892,418 | 833,848 | | | | |
| Four years later | | 822,505 | 778,764 | 666,230 | 871,951 | | | | | |
| Five years later | | 823,647 | 771,898 | 670,933 | | | | | | |
| Six years later | | 810,074 | 773,956 | | | | | | | |
| Seven years later | | 815,952 | | | | | | | | |
| **Current estimate of booked ultimate claims incurred (a)** | 4,388,173 | 814,857 | 772,196 | 668,331 | 869,052 | 826,940 | 1,002,993 | 1,612,825 | 759,934 | |
| At the end of underwriting year | | 48,141 | 50,779 | 47,943 | 105,412 | 72,521 | 63,936 | 113,191 | 65,460 | |
| One year later | | 467,060 | 369,592 | 395,793 | 542,780 | 388,690 | 354,479 | 737,010 | | |
| Two years later | | 593,458 | 550,346 | 516,091 | 689,939 | 526,889 | 549,118 | | | |
| Three years later | | 667,552 | 640,952 | 563,218 | 733,724 | 623,122 | | | | |
| Four years later | | 724,810 | 670,036 | 577,617 | 749,240 | | | | | |
| Five years later | | 741,602 | 694,511 | 600,524 | | | | | | |
| Six years later | | 755,199 | 717,076 | | | | | | | |
| Seven years later | | 773,237 | | | | | | | | |
| **Cumulative payments to-date (b)** | 4,200,007 | 773,237 | 717,076 | 600,524 | 749,240 | 623,122 | 549,118 | 737,010 | 65,460 | |
| **Expected claim liabilities (a) - (b)** | 188,166 | 41,620 | 55,120 | 67,807 | 119,812 | 203,818 | 453,875 | 875,815 | 694,474 | 2,700,507 |

| | RM'000 |
|---|---|
| **Other portfolios** | 91,188 |
| Best estimate of claim liabilities | 2,791,695 |
| Claim handling expenses | 19,821 |
| Fund PRAD at 75% confidence interval | 210,757 |
| Foreign exchange | (20,066) |
| **Gross general reinsurance/retakaful claim liabilities** | 3,002,207 |
| Elimination upon consolidation | (15,205) |
| **Gross general reinsurance/retakaful contract liabilities after elimination** | 2,987,002 |



OUR BUSINESS
PERFORMANCE & OUTLOOK
FINANCIAL REVIEW
GOVERNANCE
FINANCIAL REPORT
OTHER INFORMATION

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (a) General reinsurance/retakaful (cont'd.)

#### (vi) Claims development table (cont'd.)

**Net general reinsurance/retakaful contract liabilities for 2023:**

| Underwriting year | Before 2015 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | Subtotal RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At the end of underwriting year | | 703,964 | 863,017 | 783,472 | 851,093 | 926,223 | 998,303 | 1,562,128 | 1,257,586 | |
| One year later | | 877,687 | 823,576 | 707,596 | 939,331 | 900,746 | 1,044,267 | 1,672,883 | | |
| Two years later | | 817,079 | 785,839 | 689,271 | 878,022 | 842,883 | 979,135 | | | |
| Three years later | | 806,237 | 791,205 | 691,601 | 871,472 | 827,847 | | | | |
| Four years later | | 823,471 | 778,758 | 666,068 | 852,695 | | | | | |
| Five years later | | 823,650 | 771,898 | 670,933 | | | | | | |
| Six years later | | 810,074 | 773,956 | | | | | | | |
| Seven years later | | 815,952 | | | | | | | | |
| **Current estimate of booked ultimate claims incurred (a)** | 4,364,218 | 814,857 | 772,196 | 668,331 | 849,795 | 820,938 | 965,113 | 1,596,893 | 739,065 | |
| At the end of underwriting year | | 48,141 | 50,779 | 47,943 | 105,412 | 72,432 | 63,606 | 112,978 | 59,481 | |
| One year later | | 467,060 | 369,592 | 395,793 | 539,287 | 384,880 | 353,658 | 733,486 | | |
| Two years later | | 593,458 | 550,346 | 516,091 | 669,253 | 521,181 | 542,901 | | | |
| Three years later | | 667,555 | 640,952 | 563,218 | 713,915 | 617,588 | | | | |
| Four years later | | 724,812 | 670,036 | 577,617 | 729,983 | | | | | |
| Five years later | | 741,604 | 694,511 | 600,524 | | | | | | |
| Six years later | | 755,199 | 717,076 | | | | | | | |
| Seven years later | | 773,237 | | | | | | | | |
| **Cumulative payments to-date (b)** | 4,176,981 | 773,237 | 717,076 | 600,524 | 729,983 | 617,588 | 542,901 | 733,486 | 59,481 | |
| **Expected claim liabilities (a) - (b)** | 187,237 | 41,620 | 55,120 | 67,807 | 119,812 | 203,350 | 422,212 | 863,407 | 679,584 | 2,640,149 |

| | |
|---|---|
| **Other portfolios** | 91,174 |
| Best estimate of claim liabilities | 2,731,323 |
| Claim handling expenses | 19,821 |
| Fund PRAD at 75% confidence interval | 172,778 |
| Foreign exchange | (20,082) |
| Less: Retrocession recoveries | (307,143) |
| **Net general reinsurance/retakaful claim liabilities** | 2,596,697 |
| Elimination upon consolidation | (15,205) |
| **Net general reinsurance/retakaful claim liabilities after elimination** | 2,581,492 |





## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (a) General reinsurance/retakaful (cont'd.)

#### (vi) Claims development table (cont'd.)

**Gross general reinsurance/retakaful contract liabilities for 2022:**

| Underwriting year | Before 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | Subtotal RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At the end of underwriting year | | 703,952 | 707,937 | 684,259 | 782,335 | 849,676 | 942,403 | 1,005,332 | 1,576,477 | |
| One year later | | 722,287 | 762,054 | 824,967 | 707,863 | 960,687 | 909,028 | 1,053,165 | | |
| Two years later | | 729,885 | 816,207 | 786,520 | 692,333 | 903,133 | 859,348 | | | |
| Three years later | | 734,344 | 805,460 | 791,266 | 692,481 | 892,418 | | | | |
| Four years later | | 723,221 | 822,505 | 778,764 | 666,230 | | | | | |
| Five years later | | 801,843 | 823,647 | 771,898 | | | | | | |
| Six years later | | 799,548 | 810,074 | | | | | | | |
| Seven years later | | 787,274 | | | | | | | | |
| **Current estimate of booked ultimate claims incurred (a)** | 6,786,688 | 783,365 | 808,137 | 768,251 | 662,478 | 887,889 | 846,826 | 990,851 | 1,061,644 | |
| At the end of underwriting year | | 50,464 | 48,141 | 50,779 | 47,943 | 105,412 | 72,520 | 63,937 | 113,191 | |
| One year later | | 394,520 | 467,060 | 369,591 | 395,792 | 542,781 | 388,690 | 354,479 | | |
| Two years later | | 521,806 | 593,458 | 550,347 | 516,091 | 689,938 | 526,889 | | | |
| Three years later | | 577,362 | 667,552 | 640,952 | 563,218 | 733,724 | | | | |
| Four years later | | 618,482 | 724,810 | 670,036 | 577,617 | | | | | |
| Five years later | | 684,641 | 741,602 | 694,511 | | | | | | |
| Six years later | | 696,148 | 755,199 | | | | | | | |
| Seven years later | | 706,649 | | | | | | | | |
| **Cumulative payments to-date (b)** | 6,646,726 | 706,649 | 755,199 | 694,511 | 577,617 | 733,724 | 526,889 | 354,479 | 113,191 | |
| **Expected claim liabilities (a) - (b)** | 139,962 | 76,716 | 52,938 | 73,740 | 84,861 | 154,165 | 319,937 | 636,372 | 948,453 | 2,487,144 |

| | |
|---|---|
| **Other portfolios** | 74,273 |
| Best estimate of claim liabilities | 2,561,417 |
| Claim handling expenses | 16,811 |
| Fund PRAD at 75% confidence interval | 186,187 |
| Foreign exchange | 4,667 |
| **Gross general reinsurance/retakaful claim liabilities** | 2,769,082 |
| Elimination upon consolidation | (16,275) |
| **Gross general reinsurance/retakaful contract liabilities after elimination** | 2,752,807 |

**34. INSURANCE/TAKAFUL RISK (CONT'D.)**

**(a) General reinsurance/retakaful (cont'd.)**

**(vi) Claims development table (cont'd.)**

**Net general reinsurance/retakaful contract liabilities for 2022:**

| Underwriting year | Before 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | Subtotal RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At the end of underwriting year | | 705,370 | 703,964 | 863,017 | 783,471 | 851,093 | 926,223 | 998,304 | 1,562,128 | |
| One year later | | 712,346 | 877,687 | 823,576 | 707,596 | 939,331 | 900,746 | 1,044,267 | | |
| Two years later | | 763,018 | 817,079 | 785,839 | 689,271 | 878,022 | 842,883 | | | |
| Three years later | | 734,168 | 806,237 | 791,205 | 691,601 | 871,472 | | | | |
| Four years later | | 723,955 | 823,471 | 778,759 | 666,068 | | | | | |
| Five years later | | 801,563 | 823,650 | 771,898 | | | | | | |
| Six years later | | 799,699 | 810,074 | | | | | | | |
| Seven years later | | 787,274 | | | | | | | | |
| **Current estimate of booked ultimate claims incurred (a)** | **6,693,054** | **783,365** | **808,137** | **768,251** | **662,316** | **866,943** | **830,426** | **983,376** | **1,054,998** | |
| At the end of underwriting year | | 50,464 | 48,141 | 50,779 | 47,943 | 105,412 | 72,432 | 63,606 | 112,978 | |
| One year later | | 394,520 | 467,060 | 369,591 | 395,792 | 539,287 | 384,880 | 353,658 | | |
| Two years later | | 521,806 | 593,458 | 550,347 | 516,091 | 669,253 | 521,181 | | | |
| Three years later | | 577,362 | 667,555 | 640,952 | 563,218 | 713,915 | | | | |
| Four years later | | 618,482 | 724,812 | 670,036 | 577,617 | | | | | |
| Five years later | | 684,641 | 741,604 | 694,511 | | | | | | |
| Six years later | | 696,148 | 755,199 | | | | | | | |
| Seven years later | | 706,649 | | | | | | | | |
| **Cumulative payments to-date (b)** | **6,554,103** | **706,649** | **755,199** | **694,511** | **577,617** | **713,915** | **521,181** | **353,658** | **112,978** | |
| **Expected claim liabilities (a) - (b)** | 138,951 | 76,716 | 52,938 | 73,740 | 84,699 | 153,028 | 309,245 | 629,718 | 942,020 | 2,461,055 |
| **Other portfolios** | | | | | | | | | | 74,264 |
| Best estimate of claim liabilities | | | | | | | | | | 2,535,319 |
| Claim handling expenses | | | | | | | | | | 16,811 |
| Fund PRAD at 75% confidence interval | | | | | | | | | | 143,485 |
| Foreign exchange | | | | | | | | | | 4,362 |
| Less: Retrocession recoveries | | | | | | | | | | (520,311) |
| **Net general reinsurance/retakaful claim liabilities** | | | | | | | | | | 2,179,666 |
| Elimination upon consolidation | | | | | | | | | | (16,275) |
| **Net general reinsurance/retakaful claim liabilities after elimination** | | | | | | | | | | 2,163,391 |





**34. INSURANCE/TAKAFUL RISK (CONT'D.)**

**(b) General takaful fund**

**(i) Nature of risk**

The general takaful subsidiary principally issues the following types of general takaful: Motor, Fire, Personal Accident and Miscellaneous (which includes Engineering and Marine).

Each participant pays a portion of contributions on the basis of tabarru' ("donation") into the General Takaful Fund ("GTF") for the purpose of meeting claims for events or risks covered under the takaful contracts.

The risks are mitigated by diversification across a large portfolio of business, which is designed to balance the overall experience. The solvency of the GTF is managed by adopting prudent underwriting and claims management practices.

The table below discloses concentration on takaful certificate liabilities by main classes of business and by retakaful:

| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|---|---|---|
| **2023** | | | |
| Fire | **120,534** | **(14,207)** | **106,327** |
| Motor | **594,452** | **(247,681)** | **346,771** |
| Personal Accident | **40,686** | **(2,053)** | **38,633** |
| Miscellaneous (including Marine, Aviation and Transit) | **72,651** | **(35,078)** | **37,573** |
| | **828,323** | **(299,019)** | **529,304** |
| **2022** | | | |
| Fire | 136,519 | (38,039) | 98,480 |
| Motor | 436,146 | (164,923) | 271,223 |
| Personal Accident | 27,760 | (70) | 27,690 |
| Miscellaneous (including Marine, Aviation and Transit) | 71,873 | (40,666) | 31,207 |
| | 672,298 | (243,698) | 428,600 |

The general takaful subsidiary also manages its risk exposure by the use of retakaful arrangements. The retakaful treaty arrangements are reviewed annually by the GMRCC and subsequently, as delegated by the Board, are recommended to the RMCB for approval. Prudent standards are applied in the selection of the Company's key retakaful providers.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency and financial viability of the GTF under the various scenarios according to regulatory guidelines. The Stress testing is designed to stimulate drastic changes in major parameters such as new business volume, claims experience, expenses and investment return.

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (b) General takaful fund (cont'd.)

#### (ii) Reserving risk

Reserving risk relates to the risk arising from inadequate reserves to meet the net claims amount payable. The determination of GTF's claim liabilities, and to a certain extent GTF's contribution liabilities and Shareholder's Fund's expense liabilities relies on the information derived from various sources such as historical claims experience, existing knowledge of occurred events, the terms and conditions of relevant certificates and interpretation of prevailing circumstances. Upon notification of a claim, the general takaful subsidiary sets aside case and technical reserves to meet the expected ultimate loss arising from the claim. These claim reserves are updated periodically taking into account the development of the claims.

At each financial year, the general takaful subsidiary performs a valuation of liabilities that is certified by the Appointed Actuaries for the purpose of ensuring that claim and contribution liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income statements.

#### (iii) Catastrophe Risk

The risk that a single or a series of catastrophe events, usually over a short period, which leads to a high number of claims or single large loss or combination of both. The consequences of the risk is minimised by having retakaful coverage in place and retention in line with the risk appetite of the general takaful subsidiary.

#### (iv) Contribution Risk

Contribution risk arises when contributions charged are insufficient to meet expected claims and expenses. This risk is mitigated by adhering to the pricing policy and ceding the risk above our risk appetite to retakaful operators with strong financial standing.

#### (v) Impact on liabilities, profit and equity

**Key assumptions**

The principal assumption underlying the estimation of liabilities is that the general takaful future claims development will follow a pattern similar to the historical trend experience.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future. Examples of external factors that may affect claims development include isolated one-off occurrence, changes in market factors such as public attitude to claims notification and reporting, economic conditions, judicial decision as well as government legislation. Examples of internal factors include changes in portfolio mix, changes in certificate conditions and changes in claims handling procedures, especially those that affect the speed of claim settlement.

Other key circumstances affecting the reliability of assumptions include delays in settlement.





## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (b) General takaful fund (cont'd.)

#### (v) Impact on liabilities, profit and equity (cont'd.)

**Sensitivity analysis**

The general takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus before tax and the resulting general takaful fund. The correlation of assumptions will have significant effects in determining the ultimate claim liabilities. It should be noted that movements in these assumptions are non-linear.

The sensitivity analysis has been performed for the main classes of business which are Motor Act, Motor Others and Fire. Motor Act is analysed using changes in claim severity while Motor Others and Fire are analysed using changes in the expected ultimate loss ratio.

| | Change in assumption of ultimate claims ratio | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on surplus before tax RM'000 | Impact on general takaful fund* RM'000 |
|---|---|---|---|---|---|
| | Increase/(decrease) | | | | |
| **2023** | | | | | |
| Motor Act Average Severity | +10% | 59,205 | 33,271 | (33,271) | (25,286) |
| | -10% | (59,205) | (33,271) | 33,271 | 25,286 |
| Motor Others Expected Loss Ratio | +10% | 39,901 | 23,701 | (23,701) | (18,013) |
| | -10% | (39,901) | (23,701) | 23,701 | 18,013 |
| Fire Expected Loss Ratio | +10% | 11,944 | 3,968 | (3,968) | (3,016) |
| | -10% | (11,944) | (3,968) | 3,968 | 3,016 |

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (b) General takaful fund (cont'd.)

#### (v) Impact on liabilities, profit and equity (cont'd.)

**Sensitivity analysis (cont'd.)**

| | Change in assumption of ultimate claims ratio | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on surplus before tax RM'000 | Impact on general takaful fund* RM'000 |
|---|---|---|---|---|---|
| | Increase/(decrease) | | | | |
| **2022** | | | | | |
| Motor Act Average Severity | +10% | 49,989 | 28,482 | (28,482) | (21,646) |
| | -10% | (49,989) | (28,482) | 28,482 | 21,646 |
| Motor Others Expected Loss Ratio | +10% | 30,945 | 18,567 | (18,567) | (14,111) |
| | -10% | (30,945) | (18,567) | 18,567 | 14,111 |
| Fire Expected Loss Ratio | +10% | 9,498 | 2,661 | (2,661) | (2,022) |
| | -10% | (9,498) | (2,661) | 2,661 | 2,022 |

* *The impact on general takaful fund reflects the after-tax impact.*

The method used in performing the sensitivity analysis is consistent with the prior year.

#### (vi) Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims reported and IBNR (including IBNER) for each successive accident year at each financial year, together with cumulative payments to-date.

In setting provisions for claims, the general takaful subsidiary gives consideration to the probability and magnitude of future experience at best estimate level with a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience for an accident year is the greatest when the claim is at an early stage of development.







## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (b) General takaful fund (cont'd.)

#### (vi) Claims development table (cont'd.)

**Gross general takaful claim liabilities for 2023:**

| Accident year | Prior 2015 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | 2023 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the end of accident year | 635,225 | 176,571 | 174,218 | 190,776 | 195,417 | 188,468 | 194,052 | 204,481 | 294,653 | 364,314 | |
| One year later | 878,652 | 176,737 | 163,828 | 192,331 | 196,877 | 192,772 | 185,943 | 206,425 | 298,922 | | |
| Two years later | 832,693 | 172,414 | 157,286 | 185,552 | 198,738 | 186,612 | 194,488 | 205,190 | | | |
| Three years later | 798,421 | 168,315 | 153,908 | 187,120 | 197,158 | 192,388 | 194,205 | | | | |
| Four years later | 783,582 | 167,527 | 155,963 | 184,175 | 197,653 | 193,803 | | | | | |
| Five years later | 773,980 | 171,452 | 154,356 | 184,535 | 196,550 | | | | | | |
| Six years later | 759,864 | 163,584 | 147,206 | 173,124 | | | | | | | |
| Seven years later | 757,914 | 162,573 | 144,602 | | | | | | | | |
| Eight years later | 760,831 | 162,221 | | | | | | | | | |
| Nine years later | 758,420 | | | | | | | | | | |
| **Current estimate of cumulative claims incurred** | 758,420 | 162,221 | 144,602 | 173,124 | 196,550 | 193,803 | 194,205 | 205,190 | 298,922 | 364,314 | |
| At the end of accident year | 329,854 | 72,433 | 70,093 | 80,611 | 82,191 | 73,362 | 78,164 | 81,540 | 115,765 | 137,910 | |
| One year later | 545,582 | 121,645 | 112,184 | 132,501 | 131,743 | 127,672 | 120,590 | 132,365 | 195,496 | | |
| Two years later | 666,378 | 141,980 | 130,725 | 153,910 | 158,922 | 147,522 | 140,866 | 153,413 | | | |
| Three years later | 712,690 | 154,662 | 138,037 | 162,779 | 168,814 | 165,025 | 159,330 | | | | |
| Four years later | 729,703 | 157,119 | 140,658 | 165,165 | 174,992 | 174,415 | | | | | |
| Five years later | 735,283 | 160,685 | 141,922 | 167,414 | 176,515 | | | | | | |
| Six years later | 741,100 | 161,168 | 143,256 | 168,238 | | | | | | | |
| Seven years later | 744,128 | 161,293 | 143,553 | | | | | | | | |
| Eight years later | 757,758 | 161,333 | | | | | | | | | |
| Nine years later | 757,932 | | | | | | | | | | |
| **Cumulative payments to-date** | 757,932 | 161,333 | 143,553 | 168,238 | 176,515 | 174,415 | 159,330 | 153,413 | 195,496 | 137,910 | |
| **Gross general takaful contract liabilities:** | | | | | | | | | | | |
| Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE") | 487 | 888 | 1,049 | 4,886 | 20,035 | 19,388 | 34,875 | 51,777 | 103,426 | 226,404 | 463,215 |
| Fund PRAD at 75% | | | | | | | | | | | 52,062 |
| Total | | | | | | | | | | | 515,277 |

34. INSURANCE/TAKAFUL RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(vi) Claims development table (cont'd.)

Net general takaful claim liabilities for 2023:

| Accident year | Prior 2015 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | 2023 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the end of accident year | 675,135 | 104,071 | 110,041 | 113,257 | 113,775 | 107,381 | 118,287 | 127,751 | 155,257 | 222,317 | |
| One year later | 821,596 | 102,643 | 100,341 | 113,434 | 113,959 | 106,516 | 108,953 | 122,867 | 154,435 | | |
| Two years later | 786,012 | 97,354 | 96,034 | 108,941 | 110,916 | 102,714 | 108,923 | 120,150 | | | |
| Three years later | 741,784 | 94,702 | 94,500 | 107,880 | 110,336 | 104,226 | 105,836 | | | | |
| Four years later | 725,611 | 94,152 | 94,192 | 106,783 | 109,770 | 104,998 | | | | | |
| Five years later | 725,543 | 94,338 | 93,674 | 106,876 | 109,236 | | | | | | |
| Six years later | 642,513 | 90,196 | 89,117 | 100,796 | | | | | | | |
| Seven years later | 634,318 | 90,030 | 87,895 | | | | | | | | |
| Eight years later | 622,729 | 89,839 | | | | | | | | | |
| Nine years later | 622,066 | | | | | | | | | | |
| **Current estimate of cumulative claims incurred** | 622,066 | 89,839 | 87,895 | 100,796 | 109,236 | 104,998 | 105,836 | 120,150 | 154,435 | 222,317 | |
| At the end of accident year | 309,674 | 45,169 | 43,970 | 50,502 | 49,290 | 46,005 | 47,549 | 53,774 | 55,640 | 84,438 | |
| One year later | 483,135 | 71,475 | 69,156 | 79,164 | 79,694 | 75,861 | 74,034 | 81,153 | 96,918 | | |
| Two years later | 574,199 | 82,078 | 80,147 | 90,931 | 92,440 | 85,132 | 84,566 | 94,110 | | | |
| Three years later | 602,476 | 86,274 | 84,404 | 95,729 | 97,264 | 90,723 | 90,732 | | | | |
| Four years later | 618,103 | 87,824 | 85,974 | 97,147 | 98,941 | 94,927 | | | | | |
| Five years later | 620,421 | 89,303 | 86,721 | 97,953 | 99,665 | | | | | | |
| Six years later | 620,847 | 89,481 | 87,294 | 98,156 | | | | | | | |
| Seven years later | 622,243 | 89,485 | 87,492 | | | | | | | | |
| Eight years later | 622,449 | 89,509 | | | | | | | | | |
| Nine years later | 622,040 | | | | | | | | | | |
| **Cumulative payments to-date** | 622,040 | 89,509 | 87,492 | 98,156 | 99,665 | 94,927 | 90,732 | 94,110 | 96,918 | 84,438 | |
| **Net general takaful contract liabilities:** | | | | | | | | | | | |
| Best Estimate of Claims Liabilities (incl. ALAE) | 26 | 330 | 404 | 2,640 | 9,571 | 10,071 | 15,104 | 26,040 | 57,517 | 137,880 | 259,583 |
| Fund PRAD at 75% | | | | | | | | | | | 29,286 |
| **Net general takaful contract liabilities before elimination:** | | | | | | | | | | | 288,869 |
| Elimination upon consolidation | | | | | | | | | | | 15,205 |
| **Net general takaful contract liabilities after elimination:** | | | | | | | | | | | 304,074 |





34. INSURANCE/TAKAFUL RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(vi) Claims development table (cont'd.)

Gross general takaful claim liabilities for 2022:

| Accident year | Prior 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the end of accident year | 635,225 | 141,258 | 176,571 | 174,218 | 190,776 | 195,417 | 188,468 | 194,052 | 204,481 | 294,653 | |
| One year later | 737,394 | 125,098 | 176,737 | 163,828 | 192,331 | 196,877 | 192,772 | 185,943 | 206,425 | | |
| Two years later | 707,595 | 122,664 | 172,414 | 157,286 | 185,552 | 198,738 | 186,612 | 194,488 | | | |
| Three years later | 675,758 | 116,932 | 168,315 | 153,908 | 187,120 | 197,158 | 192,388 | | | | |
| Four years later | 666,650 | 114,368 | 167,527 | 155,963 | 184,175 | 197,653 | | | | | |
| Five years later | 659,612 | 113,948 | 171,452 | 154,356 | 184,535 | | | | | | |
| Six years later | 645,916 | 111,549 | 163,584 | 147,206 | | | | | | | |
| Seven years later | 646,364 | 110,253 | 162,573 | | | | | | | | |
| Eight years later | 650,578 | 110,175 | | | | | | | | | |
| Nine years later | 648,327 | | | | | | | | | | |
| **Current estimate of cumulative claims incurred** | 648,327 | 110,175 | 162,573 | 147,206 | 184,535 | 197,653 | 192,388 | 194,488 | 206,425 | 294,653 | |
| At the end of accident year | 329,854 | 52,965 | 72,433 | 70,093 | 80,611 | 82,191 | 73,362 | 78,164 | 81,540 | 115,765 | |
| One year later | 492,617 | 89,811 | 121,645 | 112,184 | 132,501 | 131,743 | 127,672 | 120,590 | 132,365 | | |
| Two years later | 576,567 | 102,861 | 141,980 | 130,725 | 153,910 | 158,922 | 147,522 | 140,866 | | | |
| Three years later | 609,829 | 106,947 | 154,662 | 138,037 | 162,779 | 168,814 | 165,025 | | | | |
| Four years later | 622,755 | 108,544 | 157,119 | 140,658 | 165,165 | 174,992 | | | | | |
| Five years later | 626,739 | 109,092 | 160,685 | 141,922 | 167,414 | | | | | | |
| Six years later | 632,008 | 109,867 | 161,168 | 143,256 | | | | | | | |
| Seven years later | 634,261 | 110,006 | 161,293 | | | | | | | | |
| Eight years later | 647,753 | 110,119 | | | | | | | | | |
| Nine years later | 647,830 | | | | | | | | | | |
| **Cumulative payments to-date** | 647,830 | 110,119 | 161,293 | 143,256 | 167,414 | 174,992 | 165,025 | 140,866 | 132,365 | 115,765 | |
| **Gross general takaful contract liabilities:** | | | | | | | | | | | |
| Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE") | 497 | 56 | 1,280 | 3,950 | 17,121 | 22,661 | 27,363 | 53,622 | 74,060 | 178,888 | 379,498 |
| Fund PRAD at 75% | | | | | | | | | | | 46,517 |
| Total | | | | | | | | | | | 426,015 |

34. INSURANCE/TAKAFUL RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(vi) Claims development table (cont'd.)

Net general takaful claim liabilities for 2022:

| Accident year | Prior 2014 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At the end of accident year | 675,135 | 89,101 | 104,071 | 110,041 | 113,257 | 113,775 | 107,381 | 118,287 | 127,751 | 155,258 | |
| One year later | 732,495 | 80,459 | 102,643 | 100,341 | 113,434 | 113,959 | 106,516 | 108,953 | 122,866 | | |
| Two years later | 705,553 | 77,240 | 97,354 | 96,034 | 108,941 | 110,916 | 102,714 | 108,923 | | | |
| Three years later | 664,544 | 73,895 | 94,702 | 94,500 | 107,880 | 110,336 | 104,226 | | | | |
| Four years later | 651,716 | 73,044 | 94,152 | 94,192 | 106,783 | 109,770 | | | | | |
| Five years later | 652,499 | 72,721 | 94,338 | 93,674 | 106,876 | | | | | | |
| Six years later | 569,792 | 70,690 | 90,196 | 89,117 | | | | | | | |
| Seven years later | 563,628 | 70,247 | 90,031 | | | | | | | | |
| Eight years later | 552,482 | 70,256 | | | | | | | | | |
| Nine years later | 551,810 | | | | | | | | | | |
| **Current estimate of cumulative claims incurred** | **551,810** | **70,256** | **90,031** | **89,117** | **106,876** | **109,770** | **104,226** | **108,923** | **122,866** | **155,258** | |
| At the end of accident year | 309,674 | 33,647 | 45,169 | 43,970 | 50,502 | 49,290 | 46,005 | 47,549 | 53,774 | 55,640 | |
| One year later | 449,488 | 56,856 | 71,475 | 69,156 | 79,164 | 79,694 | 75,861 | 74,034 | 81,153 | | |
| Two years later | 517,342 | 64,848 | 82,078 | 80,147 | 90,931 | 92,440 | 85,132 | 84,566 | | | |
| Three years later | 537,628 | 68,204 | 86,274 | 84,404 | 95,729 | 97,264 | 90,723 | | | | |
| Four years later | 549,899 | 69,343 | 87,824 | 85,974 | 97,147 | 98,941 | | | | | |
| Five years later | 551,078 | 69,749 | 89,303 | 86,721 | 97,956 | | | | | | |
| Six years later | 551,098 | 70,119 | 89,481 | 87,294 | | | | | | | |
| Seven years later | 552,124 | 70,200 | 89,485 | | | | | | | | |
| Eight years later | 552,249 | 70,253 | | | | | | | | | |
| Nine years later | 551,803 | | | | | | | | | | |
| **Cumulative payments to-date** | **551,803** | **70,253** | **89,485** | **87,294** | **97,956** | **98,941** | **90,723** | **84,566** | **81,153** | **55,640** | |
| **Net general takaful contract liabilities:** | | | | | | | | | | | |
| Best Estimate of Claims Liabilities (incl. ALAE) | **7** | **3** | **546** | **1,823** | **8,920** | **10,829** | **13,503** | **24,357** | **41,713** | **99,618** | **201,319** |
| Fund PRAD at 75% | | | | | | | | | | | **25,678** |
| **Net general takaful contract liabilities before elimination:** | | | | | | | | | | | **226,998** |
| Elimination upon consolidation | | | | | | | | | | | **16,275** |
| **Net general takaful contract liabilities after elimination:** | | | | | | | | | | | **243,273** |



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (c) Family takaful fund

#### (i) Nature of risk

The family takaful subsidiary principally writes the following types of family takaful certificates: Ordinary Takaful Plans, Mortgage Takaful Plans, Group Takaful Plans and Investment-linked Takaful Plans. The takaful contributions are segregated into 2 separate funds: Participants' Risk Fund ("PRF") and Participants' Investment Fund ("PIF").

The PRF is compulsory for all certificates and refers to the fund used to pool the portion of contributions paid by participants on the basis of tabarru' ("donation") for the purpose of meeting claims on events/risks covered under the takaful certificates. Under the tabarru' contract, the fund is collectively owned by the pool of participants. In managing the PRF, the family takaful subsidiary adopts an appropriate set of policies and procedures to ensure the availability of funds to meet takaful benefits when due.

The PIF refers to the fund in which a portion of the contributions paid by takaful participants for a takaful certificate is allocated for the purpose of savings and/or investment. The PIF is individually owned by participants. In managing the PIF, the family takaful subsidiary adopts appropriate investment and management strategies to achieve returns that are in line with the participants' reasonable expectations and where relevant, to ensure the availability of funds for future tabarru' apportionment into the PRF. The investment risk exposure for the PIF is borne by the participants. For investment-linked takaful, the PIF refers to the unit fund(s).

Family takaful risk exists from the anti-selection process and inadequacy of PRF to meet future claims arising from family takaful certificates. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Other sources of risks include certificate lapses and certificate claims such as mortality and morbidity experience, if they were to differ significantly from assumptions.

The table below discloses the contribution of the PIF and PRF liabilities (as disclosed in Note 20) by type of certificates:

| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|---|---|---|
| **2023** | | | |
| Family takaful plans | **1,451,334** | **(1,739)** | **1,449,595** |
| Investment-linked takaful plans | **38,909** | **(2,582)** | **36,327** |
| Mortgage takaful plans | **1,541,005** | **(12,679)** | **1,528,326** |
| Group credit takaful plans | **279,600** | **(30,308)** | **249,292** |
| Others | **169,678** | **(45,025)** | **124,653** |
| | **3,480,526** | **(92,333)** | **3,388,193** |

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (c) Family takaful fund (cont'd.)

#### (i) Nature of risk (cont'd.)

| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|---|---|---|
| **2022** | | | |
| Family takaful plans | 1,376,289 | (405) | 1,375,884 |
| Investment-linked takaful plans | 39,045 | (832) | 38,213 |
| Mortgage takaful plans | 1,418,941 | (345) | 1,418,596 |
| Group credit takaful plans | 256,640 | (33,586) | 223,054 |
| Others | 161,856 | (40,340) | 121,516 |
| | 3,252,771 | (75,508) | 3,177,263 |

The family takaful subsidiary utilises retakaful arrangements to manage the mortality and morbidity risks. Retakaful structures are set based on the risk appetite of the takaful subsidiary. Due to the nature of the business, the retakaful arrangements are reviewed as and when required, especially with introduction of new product.

The family takaful subsidiary reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that appropriate policies, guidelines and limits are put in place to manage these risks.

The PIF is supported by the investment profit from the fund and the distribution surplus from PRF, if any. In the event of volatile investment climate and/or unusual claims experience, the investment profit and surplus distribution to the participants may reduce.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency and financial viability of the family takaful fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment and mortality/morbidity patterns.

#### (ii) Catastrophe Risk

The risk that a single or a series of catastrophe events, usually over a short period, which leads to a high number of claims or single large loss or combination of both.





## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (c) Family takaful fund (cont'd.)

#### (iii) Impact on liabilities, profit and equity

**Key assumptions**

The family takaful subsidiary is being guided by the regulators and relevant guidelines in determining the liabilities of the family takaful fund and in the selection of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a 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:

Mortality and morbidity rates

Assumptions are based on mortality rates as set out in the Product Documentation submitted to BNM. They reflect the historical experience and are adjusted, when appropriate, to reflect the participants' expected experience. Assumptions are differentiated by gender, occupational class and product group.

An increase in mortality/morbidity will lead to a higher claims cost (as claims could be larger, or occur sooner than anticipated). To the extent that the actual mortality/morbidity incidence rate is worse than that priced for, the expected surplus arising in the PRF would be lower, leading to lower surplus administration charge income. If the poor experience persists, the PRF may go into deficit, requiring the shareholders to provide Qard. This is mitigated with adequate retakaful arrangements as well as contract design (in some circumstances) that builds in repricing mechanisms.

Discount rates

Family takaful liabilities of credit-related products, for example, Mortgage Reducing Term Takaful ("MRTT") and Group Credit Takaful ("GCT") are determined as the sum of the discounted value of the expected benefits less the discounted value of the expected tabarru' (risk charge) that would be required to meet these future cash outflows. The valuation of liabilities will be discounted to valuation date using the Government Investment Issues ("GII") zero coupon spot yields which are obtained from the Bond Pricing Agency Malaysia as prescribed in the valuation guidelines.

A decrease in the discount rate will increase the value of family takaful liabilities and consequently, reduces the surplus distribution to participants and shareholder.

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (c) Family takaful fund (cont'd.)

#### (iii) Impact on liabilities, profit and equity (cont'd.)

The assumptions that have significant effects on the financial position and financial performance of the family takaful fund are listed below:

| Type of business | Mortality and morbidity rates | 2023 Discount rates | 2022 Discount rates |
|---|---|---|---|
| Credit related products and individual regular contribution plans | Base mortality [1], adjusted for retakaful rates [2] | **GII discount rate** | GII discount rate |
| Others | Base mortality [1] | **N/A** | N/A |

[1] *These rates are obtained from the various industry mortality and morbidity experience tables that are used to determine the contribution rates; and*

[2] *Retakaful rates are derived from the fund's retakaful arrangements with respect to the credit related products and individual regular contribution plans.*

**Sensitivity analysis**

The analysis below is performed on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus before tax and the resulting family takaful fund. The correlations of assumptions will have significant effects in determining the ultimate family takaful liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

| | Change in assumptions % | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on surplus before tax RM'000 | Impact on family takaful fund* RM'000 |
|---|---|---|---|---|---|
| | | Increase/(decrease) | | | |
| **2023** | | | | | |
| Mortality/morbidity | **+ 10%** | **171,325** | **104,721** | **(104,721)** | **(104,721)** |
| Discount rates | **+ 1%** | **(23,852)** | **(25,724)** | **25,724** | **25,724** |
| Mortality/morbidity | **- 10%** | **(115,913)** | **(66,588)** | **66,588** | **66,588** |
| Discount rates | **- 1%** | **29,297** | **31,272** | **(31,272)** | **(31,272)** |





34. INSURANCE/TAKAFUL RISK (CONT'D.)

(c) Family takaful fund (cont'd.)

(iii) Impact on liabilities, profit and equity (cont'd.)

**Sensitivity analysis (cont'd.)**

| | Change in assumptions % | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on surplus before tax RM'000 | Impact on family takaful fund* RM'000 |
|---|---|---|---|---|---|
| | | Increase/(decrease) | | | |
| **2022** | | | | | |
| Mortality/morbidity | + 10% | 135,924 | 83,295 | (83,295) | (83,295) |
| Discount rates | + 1% | (19,101) | (21,054) | 21,054 | 21,054 |
| Mortality/morbidity | - 10% | (98,423) | (52,743) | 52,743 | 52,743 |
| Discount rates | - 1% | 23,630 | 25,480 | (25,480) | (25,480) |

* *The impact on the family takaful fund reflects the after tax position which is presumed to be nil as the family takaful fund is taxed only on investment income.*

The method used and significant assumptions made in deriving sensitivity information did not change from those used in the previous year.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and Shareholder equity. The correlations of assumptions will have a significant impact in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

| | Change in assumptions % | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on surplus before tax RM'000 | Impact on family takaful fund* RM'000 |
|---|---|---|---|---|---|
| | | Increase/(decrease) | | | |
| **2023** | | | | | |
| Expense | **+ 10%** | **23,524** | **23,524** | **(23,524)** | **(17,878)** |
| Expense | **- 10%** | **(17,078)** | **(17,078)** | **17,078** | **12,979** |
| **2022** | | | | | |
| Expense | + 10% | 18,734 | 18,734 | (18,734) | (14,238) |
| Expense | - 10% | (13,894) | (13,894) | 13,894 | 10,559 |

## 34. INSURANCE/TAKAFUL RISK (CONT'D.)

### (d) Family retakaful fund

#### (i) Nature of risk

The family retakaful business principally consists of Individual Family Retakaful Plans and Group Family Retakaful Plans, covering mortality, morbidity and health, which includes critical illness and medical related risks.

The actual experience illnesses of the underwritten risks is reviewed periodically to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Family retakaful underwriting risk relates to the pricing and loss ratios arising from family retakaful products. The risks arise when actual claims experience is different from the assumptions used in setting the yearly renewable rates for retakaful products. Deviations in actual claims experience compared to the assumptions used may be due to deviations in actual underwritten risks experience.

| 2023 | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|---|---|---|
| Family Individual | **16,664** | **(12,742)** | **3,922** |
| Family Group | **964** | **(853)** | **111** |
| | **17,628** | **(13,595)** | **4,033** |
| Local | **17,135** | **(13,465)** | **3,670** |
| Overseas | **493** | **(130)** | **363** |
| | **17,628** | **(13,595)** | **4,033** |

| 2022 | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|---|---|---|
| Family Individual | 11,970 | (9,594) | 2,376 |
| Local | 11,536 | (9,498) | 2,038 |
| Overseas | 434 | (96) | 338 |
| | 11,970 | (9,594) | 2,376 |

The underwritten risks are further managed through retakaful arrangement.

Stress testing is performed on a quarterly basis. The purpose of the stress testing is to test the solvency and financial viability of the family retakaful fund under various scenarios. These scenarios are based on regulatory guidelines and simulate drastic changes in major parameters such as new business volume, claims experience, expenses, investment environment and mortality/morbidity patterns.

#### (ii) Catastrophe Risk

The risk that a single or a series of catastrophe events, usually over a short period, which leads to a high number of claims or single large loss or combination of both.





## 34. Insurance/Takaful risk (cont'd.)

### (d) Family retakaful fund (cont'd.)

#### (iii) Contribution risk

Contribution risk arises when contributions charged are insufficient to meet expected claims and expenses.

#### (iv) Impact on liabilities, profit and equity

**Key assumptions**

The family retakaful business is being guided by the regulations and relevant guidelines in determining the liabilities and the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks, and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

**Sensitivity analysis**

The family retakaful fund's claim liabilities are sensitive to changes in loss ratios.

Due to limited information, the sensitivity analysis was applied to the ultimate loss ratio of the family retakaful fund by increasing the said ratio by 20%. The table below shows the impact on the family retakaful fund's gross and net liabilities, surplus before tax and the family retakaful fund should the ultimate loss ratio be increased or decreased by 20%:

| | Change in assumptions % | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on surplus before tax RM'000 | Impact on family retakaful fund* RM'000 |
|---|---|---|---|---|---|
| | | ← Decrease/(increase) → | | ← Increase/(decrease) → | |
| **2023** | | | | | |
| Loss ratio | **-20%** | **4,354** | **889** | **889** | **818** |
| Loss ratio | **+20%** | **(24,555)** | **(8,568)** | **8,568** | **(7,882)** |
| **2022** | | | | | |
| Loss ratio | -20% | 3,465 | 703 | 703 | 647 |
| Loss ratio | +20% | (19,631) | (7,613) | (7,613) | (7,004) |

* *The impact on the family retakaful fund reflects the impact after tax of 8% (2022: 8%).*

The method used in performing the sensitivity analysis is consistent with that of the prior year.

## 35. FINANCIAL RISK

Transactions in financial instruments may result in the Group and the Company assuming financial risks. These include credit risk, liquidity risk and market risk. This note presents information about the Group's and the Company's exposure to each of the above risks and the Group's and the Company's objectives, policies and processes for measuring and managing such risks.

The following tables summarise the financial assets and financial liabilities of the Group and the Company by their classification, including their carrying values and fair values, which are considered by management in monitoring and managing of its financial risks:

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **Group** | **Note** | **Carrying value RM'000** | **Fair value RM'000** | **Carrying value RM'000** | **Fair value RM'000** |
| **Financial and insurance/takaful assets** | | | | | |
| Financial assets at FVTPL | 18(a) | **3,445,293** | **3,445,293** | 3,187,453 | 3,187,453 |
| Financial assets at FVOCI | 18(b) | **1,803,902** | **1,803,902** | 1,973,694 | 1,973,694 |
| Financial assets at amortised cost * | 18(c) | **4,777,599** | **4,777,599** | 3,809,260 | 3,809,260 |
| Reinsurance/retakaful assets | 20 | **850,692** | **850,692** | 952,271 | 952,271 |
| Insurance/takaful receivables * | 21 | **706,541** | **706,541** | 614,826 | 614,826 |
| Cash and bank balances | | **205,462** | **205,462** | 214,050 | 214,050 |
| | | **11,789,489** | **11,789,489** | 10,751,554 | 10,751,554 |
| **Financial and insurance/takaful liabilities** | | | | | |
| Insurance/takaful contract liabilities | 20 | **8,190,384** | **8,190,384** | 7,487,057 | 7,487,057 |
| Other liabilities: | | | | | |
| Borrowing | 24 | **520,000** | **520,000** | 320,000 | 320,000 |
| Lease liabilities | 15 | **3,426** | **3,426** | 5,476 | 5,476 |
| Insurance/takaful payables * | 25 | **306,616** | **306,616** | 305,499 | 305,499 |
| Other payables (excluding provisions) * | 26 | **269,189** | **269,189** | 224,742 | 224,742 |
| | | **9,289,615** | **9,289,615** | 8,342,774 | 8,342,774 |





## 35. FINANCIAL RISK (CONT'D.)

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **Company** | **Note** | **Carrying value RM'000** | **Fair value RM'000** | **Carrying value RM'000** | **Fair value RM'000** |
| **Financial assets** | | | | | |
| Financial assets at FVTPL | 18(a) | **5,181** | **5,181** | 38,340 | 38,340 |
| Financial assets at FVOCI | 18(b) | **49,682** | **49,682** | 49,610 | 49,610 |
| Financial assets at amortised cost * | 18(c) | **94,816** | **94,816** | 79,275 | 79,275 |
| Cash and bank balances | | **277** | **277** | 371 | 371 |
| | | **149,956** | **149,956** | 167,596 | 167,596 |
| **Financial liabilities** | | | | | |
| Borrowing | 24 | **320,000** | **320,000** | 320,000 | 320,000 |
| Lease liabilities | 15 | **-** | **-** | 1,073 | 1,073 |
| Other payables (excluding provisions) * | 26 | **11,822** | **11,822** | 17,238 | 17,238 |
| | | **331,822** | **331,822** | 338,311 | 338,311 |

* *The carrying values of the financial assets at amortised cost, insurance/takaful receivables, insurance/takaful payables and other liabilities approximate their fair values due to their short term nature.*

### (a) Credit risk

Credit risk is the risk of a counterparty failing to perform its obligations.

Credit risk includes the following major elements:

(i) An investment credit risk which is the risk of financial loss arising from a change in the value of an investment. This is linked to the creditworthiness and the expected ability of the issuer and/or financial institution ("counterparty") to make timely payment of interest and/or principal. Any adverse situations faced by the counterparty may result in rating downgrades and default which may impact the value as well as liquidity of the investments;

(ii) A derivative counterparty risk which is the risk of financial loss arising from a derivative counterparty's default, or the deterioration of the derivative counterparty's financial position. As at the financial year, the Group did not transact in derivatives and was not exposed to this risk;

(iii) Reinsurance/retakaful/takaful counterparty risk which is the risk of financial loss arising from the default or deterioration of the solvency position of the counterparties; and

(iv) Premium/contribution risk of financial loss arising from the non-payment of insurance premiums/takaful contribution.

**35. FINANCIAL RISK (CONT'D.)**

**(a) Credit risk (cont'd.)**

The Group is exposed to investment credit risk on its investment portfolio, primarily from investments in bonds/sukuks. Creditworthiness assessments for new and existing investments are undertaken by the Group in accordance with the Investment Policy as approved by the Board. In addition, the credit ratings of the bonds/sukuks portfolios are regularly monitored and any downgrade in credit ratings will be evaluated to determine the required actions. As at the reporting date, the Group's bonds/sukuks portfolio has no material exposure below investment grade.

The Group is exposed to reinsurance/retakaful/takaful counterparty risks of three different types:

(i) as a result of recoveries owing from the counterparties for claims/benefits;

(ii) from amounts due from ceding companies; and

(iii) as a result of reserves held by the counterparties which would have to be met by the reinsurance/retakaful and takaful subsidiaries in the event of default.

**Management of credit risk**

In order to manage and mitigate credit risk, the following policies and procedures were set in place:

(i) Investment policies prescribe the minimum credit rating for bonds/sukuks that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of bonds/sukuks/fixed income securities in order to reduce the potential impact that may arise from individual companies defaulting;

(ii) Counterparty limits are set for investments and cash deposits to ensure that there is no concentration of credit risk;

(iii) The Group's investment portfolio is managed to ensure diversification and focuses on high quality investment grade fixed income securities and equities with good fundamentals. For the financial year ended 31 March 2023, the credit rating of the Group's fixed income portfolio was dominated by Government Investment Issues ("GII"), Malaysian Government Securities ("MGS") and securities rated AAA as determined by Rating Agency Malaysia ("RAM") and/or Malaysian Rating Corporation Berhad ("MARC"); and

(iv) To mitigate reinsurance/retakaful/takaful counterparty risk, the Group will give due consideration to the credit quality of the counterparties. To facilitate this process, a list of acceptable counterparties based on their rating is maintained within the Group. The Group regularly reviews the financial security of its counterparties.





**35. FINANCIAL RISK (CONT'D.)**

**(a) Credit risk (cont'd.)**

**Credit exposure by credit rating for 2023**

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying assets according to the credit ratings of counterparties. The reinsurers'/retakaful operators' share of unearned premium reserves and unearned contribution reserves have been excluded from the analysis as they are not contractual obligations.

| Group | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Designated upon initial recognition: | | | | | | |
| Unquoted Islamic private debt securities | 811,329 | 625,382 | - | - | - | 1,436,711 |
| Government investment issues | 1,414,505 | - | - | - | - | 1,414,505 |
| Mandatorily measured: | | | | | | |
| Quoted shares in Malaysia: | | | | | | |
| Shariah approved equities | - | - | - | 166,292 | - | 166,292 |
| Others | - | - | - | 56,296 | - | 56,296 |
| Unquoted perpetual bond in Malaysia | - | 4,884 | - | - | - | 4,884 |
| Unquoted corporate debt securities | - | - | - | - | 5,576 | 5,576 |
| Shariah approved unit trust funds | - | - | - | 346,407 | - | 346,407 |
| Real estate investment trusts: | | | | | | |
| - Shariah approved | - | - | - | 5,859 | - | 5,859 |
| - Non-Shariah approved | - | - | - | 8,694 | - | 8,694 |
| Derivative | - | - | - | 69 | - | 69 |

## 35. FINANCIAL RISK (CONT'D.)

### (a) Credit risk (cont'd.)

**Credit exposure by credit rating for 2023 (cont'd.)**

| Group (cont'd.) | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVOCI** | | | | | | |
| Government investment issues | 685,736 | - | - | - | - | 685,736 |
| Unquoted corporate debt securities | 145,969 | 489,603 | - | - | - | 635,572 |
| Malaysian government securities | 89,773 | - | - | - | - | 89,773 |
| Unquoted shares in Malaysia | - | - | - | 87,119 | - | 87,119 |
| Unquoted Islamic private debt securities | 117,446 | 188,023 | - | - | - | 305,469 |
| Golf club membership | - | - | - | 233 | - | 233 |
| **Financial assets at amortised cost** | | | | | | |
| Deposit placements with licensed: | | | | | | |
| Commercial banks | - | 114,400 | - | - | - | 114,400 |
| Foreign banks | - | 533,171 | - | - | - | 533,171 |
| Islamic banks | - | 3,472,984 | - | - | - | 3,472,984 |
| Development banks | - | 499,349 | - | - | - | 499,349 |
| Secured staff loans | - | - | - | - | 3,068 | 3,068 |
| Income due and accrued | 30,929 | 33,246 | - | 1,034 | 1,293 | 66,502 |





## 35. FINANCIAL RISK (CONT'D.)

### (a) Credit risk (cont'd.)

**Credit exposure by credit rating for 2023 (cont'd.)**

| Group (cont'd.) | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at amortised cost (cont'd.)** | | | | | | |
| Amounts due from associates | - | 12 | - | - | - | 12 |
| Due from Lloyds' syndicate | - | 50,812 | - | - | - | 50,812 |
| Sundry receivables | - | 175 | - | - | 37,078 | 37,253 |
| Reinsurance/retakaful assets * | - | 231,462 | 13,728 | - | 506,153 | 751,343 |
| Insurance/takaful receivables * | - | 111,627 | 176,612 | - | 418,302 | 706,541 |
| Cash and bank balances | - | 205,446 | - | 16 | - | 205,462 |
| | 3,295,687 | 6,560,576 | 190,340 | 672,019 | 971,470 | 11,690,092 |

* *Non-rated balances primarily relate to balances due/recoverable from (re)insurers and/or (re)takaful operators licensed under FSA, IFSA 2013 and Labuan Financial Services and Securities Act 2010 ("LFSSA") respectively.*

35. FINANCIAL RISK (CONT'D.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating for 2023 (cont'd.)

| Company | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Shariah approved unit trust fund | - | - | - | 5,181 | - | 5,181 |
| **Financial assets at FVOCI** | | | | | | |
| Golf club membership | - | - | - | 50 | - | 50 |
| Unquoted corporate debt securities | - | 49,632 | - | - | - | 49,632 |
| **Financial assets at amortised cost** | | | | | | |
| Unquoted corporate debt securities | - | 1,000 | - | - | - | 1,000 |
| Deposit placements with licensed: | | | | | | |
| Islamic banks | - | 66,547 | - | - | - | 66,547 |
| Development bank | - | 10,445 | - | - | - | 10,445 |
| Secured staff loans | - | - | - | - | 569 | 569 |
| Amounts due from subsidiaries | - | - | - | - | 15,472 | 15,472 |
| Income due and accrued | - | - | - | - | 442 | 442 |
| Sundry receivables | - | - | - | - | 341 | 341 |
| Cash and bank balances | - | 277 | - | - | - | 277 |
| | - | 127,901 | - | 5,231 | 16,824 | 149,956 |





35. FINANCIAL RISK (CONT'D.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating for 2022

| Group | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Unquoted Islamic private debt securities | 826,418 | 548,177 | - | - | - | 1,374,595 |
| Government investment issues | 1,171,196 | - | - | - | - | 1,171,196 |
| Mandatorily measured: | | | | | | |
| Quoted shares in Malaysia: | | | | | | |
| Shariah approved equities | - | - | - | 188,017 | - | 188,017 |
| Others | - | - | - | 66,086 | - | 66,086 |
| Unquoted perpetual bond in Malaysia | - | 4,930 | - | - | - | 4,930 |
| Unquoted corporate debt securities | - | - | 7,705 | - | - | 7,705 |
| Unquoted Islamic private debt securities | - | - | 653 | - | - | 653 |
| Shariah approved unit trust funds | - | - | - | 358,551 | - | 358,551 |
| Real estate investment trusts: | | | | | | |
| - Shariah approved | - | - | - | 6,447 | - | 6,447 |
| - Non-Shariah approved | - | - | - | 9,273 | - | 9,273 |

## 35. FINANCIAL RISK (CONT'D.)

### (a) Credit risk (cont'd.)

**Credit exposure by credit rating for 2022 (cont'd.)**

| Group (cont'd.) | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVOCI** | | | | | | |
| Government investment issues | 612,490 | - | - | - | - | 612,490 |
| Unquoted corporate debt securities | 210,292 | 543,348 | - | - | - | 753,640 |
| Malaysian government securities | 99,358 | - | - | - | - | 99,358 |
| Unquoted shares in Malaysia | - | - | - | 87,189 | - | 87,189 |
| Unquoted Islamic private debt securities | 162,284 | 258,500 | - | - | - | 420,784 |
| Golf club membership | - | - | - | 233 | - | 233 |





## 35. FINANCIAL RISK (CONT'D.)

### (a) Credit risk (cont'd.)

**Credit exposure by credit rating for 2022 (cont'd.)**

| Group (cont'd.) | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at amortised cost** | | | | | | |
| Deposit placements with licensed: | | | | | | |
| Commercial banks | - | 81,149 | - | - | - | 81,149 |
| Foreign banks | - | 237,092 | - | - | - | 237,092 |
| Islamic banks | - | 2,729,397 | - | - | - | 2,729,397 |
| Development banks | - | 519,284 | - | - | - | 519,284 |
| Islamic commercial paper | - | 14,926 | - | - | - | 14,926 |
| Commercial paper | - | 34,849 | - | - | - | 34,849 |
| Secured staff loans | - | - | - | - | 3,858 | 3,858 |
| Income due and accrued | 29,631 | 29,144 | 131 | 1,578 | 1,498 | 61,982 |
| Amounts due from associates | - | 12 | - | - | - | 12 |
| Amount due from Insurance Pool accounts | - | - | - | - | 8,516 | 8,516 |
| Due from Lloyds' syndicate | - | 62,666 | - | - | - | 62,666 |
| Sundry receivables | - | - | - | - | 55,529 | 55,529 |
| Reinsurance/retakaful assets * | - | 581,969 | 8,124 | - | 289,462 | 879,555 |
| Insurance/takaful receivables * | - | 143,800 | 96,900 | - | 374,126 | 614,826 |
| Cash and bank balances | - | 214,032 | - | 18 | - | 214,050 |
| | 3,111,669 | 6,003,275 | 113,513 | 717,392 | 732,989 | 10,678,838 |

* *Non-rated balances primarily relate to balances due/recoverable from (re)insurers and/or (re)takaful operators licensed under FSA, IFSA 2013 and Labuan Financial Services and Securities Act 2010 ("LFSSA") respectively.*

35. FINANCIAL RISK (CONT'D.)

(a) Credit risk (cont'd.)

**Credit exposure by credit rating for 2022 (cont'd.)**

| Company | Government guaranteed RM'000 | AAA/P1 to BBB RM'000 | BB to C RM'000 | Not subject to credit risk RM'000 | Not rated RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Shariah approved unit trust fund | - | - | - | 38,340 | - | 38,340 |
| **Financial assets at FVOCI** | | | | | | |
| Golf club membership | - | - | - | 50 | - | 50 |
| Unquoted corporate debt securities | - | 49,560 | - | - | - | 49,560 |
| **Financial assets at amortised cost** | | | | | | |
| Unquoted corporate debt securities | - | 1,000 | - | - | - | 1,000 |
| Deposit placements with licensed: | | | | | | |
| Islamic banks | - | 66,335 | - | - | - | 66,335 |
| Development bank | - | 10,198 | - | - | - | 10,198 |
| Secured staff loans | - | - | - | - | 959 | 959 |
| Amounts due from subsidiaries | - | - | - | - | 7 | 7 |
| Income due and accrued | - | - | - | - | 496 | 496 |
| Sundry receivables | - | - | - | - | 280 | 280 |
| Cash and bank balances | - | 371 | - | - | - | 371 |
| | - | 127,464 | - | 38,390 | 1,742 | 167,596 |



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 35. FINANCIAL RISK (CONT'D.)

### (a) Credit risk (cont'd.)

**Investment assets - Reconciliation of allowance account**

**Significant increase in credit risk ("SICR")**

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

The Group and the Company measure both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date.

**Expected credit loss ("ECL")**

The Group and the Company assess the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. 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 months after the reporting date and in each subsequent year throughout the expected life of the financial instruments.

The financial assets are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

As at the reporting date, all financial assets at amortised cost held by the Group and the Company are classified as Stage 1. The credit rating of these financial assets at amortised cost are as disclosed above in Note 35(a).

The following table shows the carrying value of the Group's financial assets measured at AC and the expected credit loss amount recognised. There were no ECL arising for the Company as at 31 March 2023 and 31 March 2022.

**35. FINANCIAL RISK (CONT'D.)**

**(a) Credit risk (cont'd.)**

**Investment assets - Reconciliation of allowance account (cont'd.)**

**Expected credit loss ("ECL") (cont'd.)**

| Group | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Total carrying amount of financial investment at AC** | **4,777,599** | 3,809,260 |
| **Total ECL on financial investment at AC as at 31 March** | **3** | 3 |

The following table shows the carrying value of the Group's financial assets measured at FVOCI and the expected credit loss amount recognised. There were no ECL arising for the Company as at 31 March 2023 and 31 March 2022.

| Group | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Financial investments at FVOCI** | | |
| Government guaranteed | **1,038,924** | 1,084,424 |
| AAA to BBB | **677,626** | 801,848 |
| Not subject to credit risk | **87,352** | 87,422 |
| **Total carrying amount of financial investment at FVOCI** | **1,803,902** | 1,973,694 |
| **Total ECL on financial investment at FVOCI as at 31 March** | **136** | 125 |

As at the reporting date, all financial investments measured at FVOCI held by the Group and the Company are classified as Stage 1.

Movements in allowances for impairment losses for financial investments measured at FVOCI and AC are as follows:

| Group | FVOCI RM'000 | AC RM'000 | Total RM'000 |
|---|---|---|---|
| Balance as at 1 April 2021 | 803 | 633 | 1,436 |
| Net adjustment of loss allowances | (678) | (630) | (1,308) |
| Balance as at 31 March 2022 | **125** | **3** | **128** |
| Net adjustment of loss allowances | **11** | **-** | **11** |
| **Balance as at 31 March 2023** | **136** | **3** | **139** |





**35. FINANCIAL RISK (CONT'D.)**

**(a) Credit risk (cont'd.)**

**Other financial asset - Reconciliation of allowance account**

Other financial assets consist of reinsurance/retakaful assets, insurance/takaful receivables and other receivables.

**Definition of default**

The Group and the Company consider a financial asset to be in default by assessing the following criteria:

**(i) Quantitative criteria**

Takaful receivables of the takaful subsidiaries are considered to be in default when the counterparty fails to make contractual payments within 12 months from the time when they fall due, which is derived based on the subsidiaries' historical information.

Whereas for the reinsurance/retakaful subsidiary, insurance/takaful receivables are considered to be in default when the counterparty fails to make contractual payments within 24 months when they fall due, which is derived based on the subsidiary's historical information. For reinsurance deposits placed, balances aged more than 18 months are deemed to be credit impaired.

**(ii) Qualitative criteria**

Default occurs when the counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty.

The criteria above have been applied to all financial instruments held by the Group and the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's and the Company's expected loss calculations.

## 35. FINANCIAL RISK (CONT'D.)

### (a) Credit risk (cont'd.)

**Incorporation of forward-looking information**

The Group and the Company incorporate forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group and the Company have performed historical analyses and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Group and the Company.

Set out below is the information about the credit risk exposure on the insurance/takaful receivables of the Group's reinsurance/retakaful subsidiary using a provision matrix:

| | Not due RM'000 | Months past due: 1 to 6 months RM'000 | 7 to 12 months RM'000 | 13 to 18 months RM'000 | 19 to 24 months RM'000 | More than 24 months RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **31 March 2023** | | | | | | | |
| ECL rate | **0.14%** | **0.38%** | **1.89%** | **7.36%** | **19.54%** | **48.37%** | **1.13%** |
| Gross carrying amount | **318,876** | **214,325** | **22,696** | **8,271** | **1,392** | **8,201** | **573,761** |
| Allowance for ECL | **440** | **805** | **428** | **609** | **272** | **3,967** | **6,521** |
| **31 March 2022** | | | | | | | |
| ECL rate | 0.10% | 0.24% | 1.78% | 7.40% | 20.37% | 48.03% | 0.91% |
| Gross carrying amount | 330,345 | 151,877 | 18,698 | 1,595 | 967 | 6,921 | 510,403 |
| Allowance for ECL | 341 | 357 | 332 | 118 | 197 | 3,324 | 4,669 |





## 35. FINANCIAL RISK (CONT'D.)

### (a) Credit risk (cont'd.)

**Incorporation of forward-looking information (cont'd.)**

Table below shows the credit risk exposure on the takaful receivables of the Group's takaful subsidiaries using a provision matrix:

| | Not due RM'000 | Months past due: 0-3 Months RM'000 | 4-6 Months RM'000 | 7-9 Months RM'000 | 10-12 Months RM'000 | > 1 year RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **31 March 2023** | | | | | | | |
| ECL rate | **0.00%** | **2.54%** | **2.19%** | **8.90%** | **39.83%** | **46.00%** | **5.79%** |
| Gross carrying amount | **5,073** | **107,417** | **17,353** | **7,143** | **3,030** | **7,842** | **147,858** |
| Allowance for ECL | **-** | **2,727** | **380** | **636** | **1,207** | **3,607** | **8,557** |
| **31 March 2022** | | | | | | | |
| ECL rate | 0.00% | 1.84% | 7.18% | 35.56% | 42.67% | 64.10% | 9.96% |
| Gross carrying amount | 2,016 | 95,875 | 5,727 | 3,608 | 1,507 | 12,429 | 121,162 |
| Allowance for ECL | - | 1,766 | 411 | 1,283 | 643 | 7,967 | 12,070 |

**35. FINANCIAL RISK (CONT'D.)**

**(a) Credit risk (cont'd.)**

**Incorporation of forward-looking information (cont'd.)**

The following table shows the movement in gross insurance/takaful receivables and the loss allowances recognised for credit impaired receivables.

| Group | Not credit impaired RM'000 | Credit impaired RM'000 | Total RM'000 |
|---|---|---|---|
| Gross carrying amounts | | | |
| As at 1 April 2022 | **623,724** | **7,841** | **631,565** |
| Increase/(decrease) | **90,582** | **(528)** | **90,054** |
| As at 31 March 2023 | **714,306** | **7,313** | **721,619** |
| Allowance for ECL | | | |
| As at 1 April 2022 | **10,655** | **6,084** | **16,739** |
| (Decrease)/increase | **(1,693)** | **32** | **(1,661)** |
| As at 31 March 2023 | **8,962** | **6,116** | **15,078** |
| Gross carrying amounts | | | |
| As at 1 April 2021 | 513,734 | 9,979 | 523,713 |
| Increase/(decrease) | 109,990 | (2,138) | 107,852 |
| As at 31 March 2022 | 623,724 | 7,841 | 631,565 |
| Allowance for ECL | | | |
| As at 1 April 2021 | 20,090 | 4,757 | 24,847 |
| (Decrease)/increase | (9,435) | 1,327 | (8,108) |
| As at 31 March 2022 | 10,655 | 6,084 | 16,739 |





**35. FINANCIAL RISK (CONT'D.)**

**(a) Credit risk (cont'd.)**

**Movement of allowance for impairment losses on insurance/takaful receivables**

| Group | Individually impaired RM'000 | Collectively impaired RM'000 | Total RM'000 |
|---|---|---|---|
| **2023** | | | |
| At 1 April 2022 | **5,499** | **11,240** | **16,739** |
| Reversal of impairment losses for the year | **(344)** | **(1,317)** | **(1,661)** |
| At 31 March 2023 | **5,155** | **9,923** | **15,078** |
| **2022** | | | |
| At 1 April 2021 | 3,872 | 20,975 | 24,847 |
| Provision for/(reversal of) impairment losses for the year | 1,627 | (9,735) | (8,108) |
| At 31 March 2022 | 5,499 | 11,240 | 16,739 |

**(b) Liquidity risk**

Liquidity risk is the risk that the Group and the Company will not have sufficient cash resources available to meet payment obligations without incurring material additional costs.

The Group and the Company assess liquidity risk by ensuring the following:

(i) The Group and the Company are able to meet payment obligations under normal and stressed operating environments without suffering any loss;

(ii) Additions/withdrawals from the Group's and the Company's investment funds are managed efficiently; and

(iii) Appropriate measures are in place to respond to liquidity risk.

## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

As part of its liquidity management strategy, the Group has in place processes capable of measuring and reporting on:

(i) Daily cash flows;

(ii) Minimum liquidity holdings;

(iii) The composition and market values of investment portfolios, including liquid holdings; and

(iv) The holding of liquid assets in the respective reinsurance, retakaful and takaful funds.

In order to manage the liquidity of the reinsurance/retakaful/takaful funds, the investment mandate requires that a certain proportion of the funds is maintained as liquid assets.

**Maturity Profiles**

The table below summarises the maturity profile of the assets and liabilities of the Group and of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance and takaful contract liabilities and reinsurance and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance/takaful liabilities. The reinsurers'/retakaful operators' share of expenses liabilities, unearned premium reserves and unearned contribution reserves have been excluded from the analysis as they are not contractual obligations.

Expense liabilities, contribution liabilities and the retakaful operators' share of contribution liabilities have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

35. FINANCIAL RISK (CONT'D.)

(b) Liquidity risk (cont'd.)

**Maturity profiles for 2023**

| Group | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Designated upon initial recognition | | | | | | |
| Government investment issues | 1,414,505 | 62,655 | 265,667 | 2,135,768 | - | 2,464,090 |
| Unquoted Islamic private debt securities | 1,436,711 | 108,405 | 561,027 | 1,546,617 | - | 2,216,049 |
| Mandatorily measured | | | | | | |
| Quoted shares in Malaysia: | | | | | | |
| Shariah approved equities | 166,292 | - | - | - | 166,292 | 166,292 |
| Others | 56,296 | - | - | - | 56,296 | 56,296 |
| Unquoted perpetual bond in Malaysia | 4,884 | - | - | - | 5,482 | 5,482 |
| Unquoted corporate debt securities | 5,576 | 201 | 1,658 | 39,583 | - | 41,442 |
| Real estate investment trusts: | | | | | | |
| - Shariah approved | 5,859 | - | - | - | 5,859 | 5,859 |
| - Non-Shariah approved | 8,694 | - | - | - | 8,694 | 8,694 |
| Shariah approved unit trusts | 346,407 | - | - | - | 346,407 | 346,407 |
| Derivative | 69 | - | - | - | 69 | 69 |

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023



## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity profiles for 2023 (cont'd.)**

| Group (cont'd.) | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVOCI** | | | | | | |
| Malaysian government securities | 89,773 | 3,398 | 42,725 | 70,617 | - | 116,740 |
| Government investment issues | 685,736 | 38,184 | 398,131 | 438,715 | - | 875,030 |
| Unquoted corporate debt securities | 635,572 | 135,843 | 359,916 | 272,373 | - | 768,132 |
| Unquoted shares in Malaysia | 87,119 | - | - | - | 87,119 | 87,119 |
| Unquoted Islamic private debt securities | 305,469 | 37,451 | 149,210 | 207,165 | - | 393,826 |
| Golf club membership | 233 | - | - | - | 233 | 233 |
| **Financial assets at amortised cost** | | | | | | |
| Deposit placements with licensed: | | | | | | |
| Commercial banks | 114,400 | 114,733 | - | - | - | 114,733 |
| Foreign banks | 533,171 | 536,418 | - | - | - | 536,418 |
| Islamic banks | 3,472,984 | 3,509,394 | - | - | - | 3,509,394 |
| Development banks | 499,349 | 510,984 | - | - | - | 510,984 |
| Secured staff loans | 3,068 | 1,155 | 1,913 | - | - | 3,068 |

## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity profiles for 2023 (cont'd.)**

| Group (cont'd.) | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at amortised cost (cont'd.)** | | | | | | |
| Income due and accrued | 66,502 | 66,502 | - | - | - | 66,502 |
| Amounts due from associates | 12 | 12 | - | - | - | 12 |
| Amount due from Insurance pool accounts | 48 | 48 | - | - | - | 48 |
| Due from Lloyds' syndicate | 50,812 | - | 50,812 | - | - | 50,812 |
| Sundry receivables | 37,253 | 34,092 | - | - | 190 | 34,282 |
| Reinsurance/retakaful assets | 751,343 | 322,846 | 348,815 | 125,339 | - | 797,000 |
| Insurance/takaful receivables | 706,541 | 706,541 | - | - | - | 706,541 |
| Cash and bank balances | 205,462 | 205,462 | - | - | - | 205,462 |
| **Total financial and insurance assets** | 11,690,140 | 6,394,324 | 2,179,874 | 4,836,177 | 676,641 | 14,087,016 |
| Borrowing | (520,000) | (27,094) | (109,265) | (572,530) | - | (708,889) |
| Insurance/takaful contract liabilities | (7,374,181) | (1,607,347) | (2,375,324) | (3,655,871) | - | (7,638,542) |
| Lease liabilities | (3,426) | (1,305) | (2,497) | - | - | (3,802) |
| Insurance/takaful payables | (306,616) | (306,616) | - | - | - | (306,616) |
| Other payables (excluding provisions) | (269,189) | (269,189) | - | - | - | (269,189) |
| **Total financial and insurance liabilities** | (8,473,412) | (2,211,551) | (2,487,086) | (4,228,401) | - | (8,927,038) |
| **Surplus/(deficit)** | 3,216,728 | 4,182,773 | (307,212) | 607,776 | 676,641 | 5,159,978 |

## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity profiles for 2023 (cont'd.)**

| Company | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Shariah approved unit trust fund | 5,181 | - | - | - | 5,181 | 5,181 |
| **Financial assets at FVOCI** | | | | | | |
| Golf club membership | 50 | - | - | - | 50 | 50 |
| Unquoted corporate debt securities | 49,632 | 2,173 | 8,702 | 54,003 | - | 64,878 |
| **Financial assets at amortised cost** | | | | | | |
| Unquoted corporate debt securities | 1,000 | 49 | 1,070 | - | - | 1,119 |
| Deposit placements with licensed: | | | | | | |
| Islamic banks | 66,547 | 67,405 | - | - | - | 67,405 |
| Development bank | 10,445 | 10,462 | - | - | - | 10,462 |
| Secured staff loans | 569 | 464 | 105 | - | - | 569 |
| Amount due from subsidiaries | 15,472 | 15,472 | - | - | - | 15,472 |
| Income due and accrued | 442 | 442 | - | - | - | 442 |
| Sundry receivables | 341 | 341 | - | - | - | 341 |
| Cash and bank balances | 277 | 277 | - | - | - | 277 |
| **Total financial assets** | **149,956** | **97,085** | **9,877** | **54,003** | **5,231** | **166,196** |
| Borrowing | (320,000) | (16,640) | (66,606) | (336,275) | - | (419,521) |
| Other payables (excluding provisions) | (11,822) | (11,822) | - | - | - | (11,822) |
| **Total financial liabilities** | **(331,822)** | **(28,462)** | **(66,606)** | **(336,275)** | **-** | **(431,343)** |
| **(Deficit)/surplus** | **(181,866)** | **68,623** | **(56,729)** | **(282,272)** | **5,231** | **(265,147)** |





## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity profiles for 2022**

| Group | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Designated upon initial recognition | | | | | | |
| Government investment issues | 1,171,196 | 57,349 | 219,694 | 1,777,527 | - | 2,054,570 |
| Unquoted Islamic private debt securities | 1,374,595 | 171,299 | 434,549 | 1,485,108 | - | 2,090,956 |
| Mandatorily measured | | | | | | |
| Quoted shares in Malaysia: | | | | | | |
| Shariah approved equities | 188,017 | - | - | - | 188,017 | 188,017 |
| Others | 66,086 | - | - | - | 66,086 | 66,086 |
| Unquoted perpetual bond in Malaysia | 4,930 | - | - | - | 5,000 | 5,000 |
| Unquoted corporate debt securities | 7,705 | 464 | 2,222 | 42,470 | - | 45,156 |
| Unquoted Islamic private debt securities | 653 | 676 | - | - | - | 676 |
| Shariah approved unit trust funds | 358,551 | - | - | - | 358,551 | 358,551 |
| Real estate investment trusts: | | | | | | |
| - Shariah approved | 6,447 | - | - | - | 6,447 | 6,447 |
| - Non-Shariah approved | 9,273 | - | - | - | 9,273 | 9,273 |

## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity profiles for 2022 (cont'd.)**

| Group (cont'd.) | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVOCI** | | | | | | |
| Malaysian government securities | 99,358 | 3,837 | 24,937 | 103,140 | - | 131,914 |
| Government investment issues | 612,490 | 82,725 | 230,355 | 472,692 | - | 785,772 |
| Unquoted corporate debt securities | 753,640 | 287,735 | 345,293 | 230,129 | - | 863,157 |
| Unquoted shares in Malaysia | 87,189 | - | - | - | 87,189 | 87,189 |
| Unquoted Islamic private debt securities | 420,784 | 141,184 | 165,635 | 209,351 | - | 516,170 |
| Golf club membership | 233 | - | - | - | 233 | 233 |
| **Financial assets at amortised cost** | | | | | | |
| Deposit placements with licensed: | | | | | | |
| Commercial banks | 81,149 | 81,263 | - | - | - | 81,263 |
| Foreign banks | 237,092 | 239,053 | - | - | - | 239,053 |
| Islamic banks | 2,729,397 | 2,719,166 | 23,199 | - | - | 2,742,365 |
| Development banks | 519,284 | 522,374 | - | - | - | 522,374 |
| Islamic commercial paper | 14,926 | 15,000 | - | - | - | 15,000 |
| Commercial paper | 34,849 | 35,000 | - | - | - | 35,000 |
| Secured staff loans | 3,858 | 1,635 | 2,223 | - | - | 3,858 |
| Income due and accrued | 61,982 | 61,982 | - | - | - | 61,982 |
| Amounts due from associates | 12 | 12 | - | - | - | 12 |
| Amount due from Insurance pool accounts | 8,516 | 8,516 | - | - | - | 8,516 |





## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity profiles for 2022 (cont'd.)**

| Group (cont'd.) | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at amortised cost (cont'd.)** | | | | | | |
| Due from Lloyds' syndicate | 62,666 | - | 62,666 | - | - | 62,666 |
| Sundry receivables | 55,529 | 55,339 | - | - | 190 | 55,529 |
| Reinsurance/retakaful assets | 879,555 | 336,731 | 451,798 | 104,142 | - | 892,671 |
| Insurance/takaful receivables | 614,826 | 614,826 | - | - | - | 614,826 |
| Cash and bank balances | 214,050 | 214,050 | - | - | - | 214,050 |
| **Total financial and insurance assets** | 10,678,838 | 5,650,216 | 1,962,571 | 4,424,559 | 720,986 | 12,758,332 |
| Borrowing | (320,000) | (16,640) | (66,606) | (352,915) | - | (436,161) |
| Insurance/takaful contract liabilities | (6,765,068) | (1,369,298) | (2,173,522) | (3,395,268) | - | (6,938,088) |
| Lease liabilities | (5,476) | (2,634) | (3,493) | (30) | - | (6,157) |
| Insurance/takaful payables | (305,499) | (305,499) | - | - | - | (305,499) |
| Other payables (excluding provisions) | (224,742) | (224,742) | - | - | - | (224,742) |
| **Total financial and insurance liabilities** | (7,620,785) | (1,918,813) | (2,243,621) | (3,748,213) | - | (7,910,647) |
| **Surplus/(deficit)** | 3,058,053 | 3,731,403 | (281,050) | 676,346 | 720,986 | 4,847,685 |

## 35. FINANCIAL RISK (CONT'D.)

### (b) Liquidity risk (cont'd.)

**Maturity profiles for 2022 (cont'd.)**

| Company | Carrying value RM'000 | Up to 1 year RM'000 | 1 - 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | | |
| Shariah approved unit trust fund | 38,340 | - | - | - | 38,340 | 38,340 |
| **Financial assets at FVOCI** | | | | | | |
| Golf club membership | 50 | | - | - | 50 | 50 |
| Unquoted corporate debt securities | 49,560 | 2,171 | 8,689 | 56,136 | - | 66,996 |
| **Financial assets at amortised cost** | | | | | | |
| Unquoted corporate debt securities | 1,000 | 50 | 1,120 | - | - | 1,170 |
| Deposit placements with licensed: | | | | | | |
| Islamic banks | 66,335 | 44,865 | 23,199 | - | - | 68,064 |
| Development bank | 10,198 | 10,211 | - | - | - | 10,211 |
| Secured staff loans | 959 | 459 | 500 | - | - | 959 |
| Amount due from subsidiaries | 7 | 7 | - | - | - | 7 |
| Income due and accrued | 496 | 496 | - | - | - | 496 |
| Sundry receivables | 280 | 280 | - | - | - | 280 |
| Cash and bank balances | 371 | 371 | - | - | - | 371 |
| **Total financial assets** | 167,596 | 58,910 | 33,508 | 56,136 | 38,390 | 186,944 |
| | | | | | | |
| Borrowing | (320,000) | (16,640) | (66,606) | (352,915) | - | (436,161) |
| Lease liabilities | (1,073) | (1,102) | - | - | - | (1,102) |
| Other payables (excluding provisions) | (17,238) | (17,238) | - | - | - | (17,238) |
| **Total financial liabilities** | (338,311) | (34,980) | (66,606) | (352,915) | - | (454,501) |
| | | | | | | |
| **(Deficit)/surplus** | (170,715) | 23,930 | (33,098) | (296,779) | 38,390 | (267,557) |





## 35. FINANCIAL RISK (CONT'D.)

### (c) Market risk

Market risk is the risk of loss arising from a change in the values of, or the income from, financial assets. A risk of loss also arises from volatility in asset prices, interest/profit rates, or foreign currency exchange rates. Market risk includes the following elements:

(i) Price risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument impacting the equity and collective investment schemes (property trusts and unit trust funds) prices;

(ii) Foreign exchange risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from a movement of or volatility in exchange rates;

(iii) Interest/profit rate risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from variability in interest/profit rates; and

(iv) Property investment risk which is the risk of fluctuations in the fair value or future cash flows of a property arising from decline in real estate values or income, where the MNRB and its main operating subsidiaries have invested in property or real estate for own occupancy, investment or rental purpose.

**Price risk**

Price risk is the risk that the fair value or future cash flow of a financial instrument fluctuates because of changes in market prices (other than those arising from interest rate/profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's price risk exposures relate to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

MNRB and its main operating subsidiaries manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits as stipulated by BNM. The Group complied with such limits as stipulated by BNM during the financial year and had no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity (inclusive of the impact on other comprehensive income). The correlation of variables have a significant effect in determining the ultimate impact on price risk. Additionally, changes in variables are considered individually. It should be noted that movements in these variables are non-linear.

The equities under the investment-linked fund were excluded from the sensitivity analysis as the risks associated with the fluctuations in market prices of the equities are borne by the participants.

## 35. FINANCIAL RISK (CONT'D.)

### (c) Market risk (cont'd.)

**Sensitivity analysis**

| Group | Changes in market indices | Impact on profit before zakat and taxation RM'000 | Impact on equity/ participants' fund* RM'000 |
|---|---|---|---|
| | | Increase/(decrease) | |
| **2023** | | | |
| Price/NAV | **+ 5%** | **12,799** | **15,752** |
| Price/NAV | **- 5%** | **(12,799)** | **(15,752)** |
| **2022** | | | |
| Price/NAV | + 5% | 19,528 | 21,536 |
| Price/NAV | - 5% | (19,528) | (21,536) |

| Company | Changes in market indices | Impact on profit before tax RM'000 | Impact on equity/ participants' fund* RM'000 |
|---|---|---|---|
| | | Increase/(decrease) | |
| **2023** | | | |
| Price/NAV | **+ 5%** | **259** | **197** |
| Price/NAV | **- 5%** | **(259)** | **(197)** |
| **2022** | | | |
| Price/NAV | + 5% | 1,917 | 1,457 |
| Price/NAV | - 5% | (1,917) | (1,457) |

* *The impact on equity reflects the after tax impact.*





## 35. FINANCIAL RISK (CONT'D.)

### (c) Market risk (cont'd.)

**Foreign exchange risk/currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial asset and/or liability will fluctuate because of movements in foreign currency exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally because of its foreign currency denominated underwriting revenues (such as premiums/contributions) and expenses (such as claims/benefits and commission expenses).

The Group has a foreign exchange risk framework in place and is continuously enhancing its risk mitigation measures.

**Sensitivity analysis**

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on gross and net claims liabilities, profit before tax and equity. The sensitivity analysis was applied to the Group's gross and net claim liabilities in foreign currencies, while the impact on profit before taxation and equity includes the hedging effect from the backing assets held in the respective foreign currencies.

| Group | Changes in variable | Impact on gross liabilities RM'000 | Impact on net liabilities RM'000 | Impact on profit before zakat and taxation RM'000 | Impact on equity* RM'000 |
|---|---|---|---|---|---|
| | | Increase/(decrease) | | | |
| **2023** | | | | | |
| Foreign currency | **+5%** | **72,774** | **66,061** | **(621)** | **(572)** |
| Foreign currency | **-5%** | **(72,774)** | **(66,061)** | **621** | **572** |
| **2022** | | | | | |
| Foreign currency | +5% | 55,063 | 52,524 | (4,435) | (4,080) |
| Foreign currency | -5% | (55,063) | (52,524) | 4,435 | 4,080 |

* *The impact on equity reflects the after tax impact.*

The method used in performing the sensitivity analysis is consistent with the prior year.

## 35. FINANCIAL RISK (CONT'D.)

### (c) Market risk (cont'd.)

**Interest/profit rate risk**

The Group is exposed to interest/profit rate risk as follows:

(i) Fair values of fixed interest/profit-bearing assets would move inversely to changes in interest/profit rates; and

(ii) Future cash flows of variable interest/profit-bearing assets would move in direct proportion to changes in rates.

The earnings of the Group are affected by changes in market interest/profit rates due to the impact such changes have on interest/profit income from cash and cash equivalents, including investments in fixed/Islamic deposits. The fixed income portfolio is inversely related to interest/profit rates and hence, it is the source of portfolio volatility.

The Group manages its interest/profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest/profit rate movements.

The nature of the Group's exposure to interest/profit rate risk and its objectives, policies and processes for managing interest/profit rate risk have not changed significantly from the previous financial year.

**Sensitivity analysis**

A change of 25 basis points ("bp") in interest/profit rates at the reporting date would have increased/(decreased) the value of the portfolio of fixed-income investment by the amounts shown below.

| Group | Changes in variable | Impact on profit before zakat and taxation RM'000 | Impact on equity/ participants' fund* RM'000 |
|---|---|---|---|
| | ← | (Decrease)/increase | → |
| **2023** | | | |
| Interest/profit rates | **+25 bp** | **(71,489)** | **(81,128)** |
| Interest/profit rates | **-25 bp** | **71,489** | **81,128** |
| **2022** | | | |
| Interest/profit rates | +25 bp | (60,673) | (69,978) |
| Interest/profit rates | -25 bp | 60,673 | 69,978 |





## 35. FINANCIAL RISK (CONT'D.)

### (c) Market risk (cont'd.)

**Interest/profit rate risk (cont'd.)**

| Company | Changes in variable | Impact on equity* RM'000 |
|---|---|---|
| | ← (Decrease)/increase | → |
| **2023** | | |
| Interest/profit rates | **+25 bp** | **(733)** |
| Interest/profit rates | **-25 bp** | **733** |
| **2022** | | |
| Interest/profit rates | +25 bp | (821) |
| Interest/profit rates | -25 bp | 821 |

* *The impact on equity reflects the after tax impact.*

**Property investment risk**

Property investment risk is the risk of fluctuations in the fair value or future cash flows of a property arising from decline in real estate values or income, where MNRB and its main operating subsidiaries have invested in property or real estate for own occupancy, investment or rental purpose. Operational manuals are put in place to describe the responsibilities in relation to management of the properties.

The financial risk arising from a delinquent or loss of tenants are managed at the outset through careful selection of properties with high tenancy including tenants with long term tenancies, screening of new tenants' credit worthiness and financial standing as well as ensuring that the properties and facilities are continuously maintained and upgraded.

## 36. OTHER RISKS

### (a) Operational risk

Operational risk can broadly be defined as the risk of direct or indirect losses or reputational damage due to failure attributable to people, internal processes, system (IT) or from external events. Operational risk is inherent in all activities of the Group, and can transverse multiple activities including outsourcing. It includes a wide spectrum of heterogeneous risks such as fraud, bribery & corruption, physical damage, business disruption, transaction failures, legal and regulatory breaches, pandemic outbreak, as well as employee health and safety hazards.

## 36. OTHER RISKS (CONT'D.)

### (a) Operational risk (cont'd.)

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework, and by monitoring and responding to potential risks, the Group is able to minimise risks to an acceptable level. Controls include effective segregation of duties, access controls, system validation, enhanced authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, and engagement of internal audit for assurance.

### (b) Shariah non-compliance risk

Shariah non-compliance (SNC) risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which any Company within the Group may suffer arising from failure to comply with:

(i) The rulings of the Shariah Advisory Council of Bank Negara Malaysia ("SAC-BNM");

(ii) Standards on Shariah matters issued by BNM (pursuant to Section 29(1) of the IFSA and Section 33E(1) of the Development Financial Institutions Act ("DFIA") 2002);

(iii) The rulings and standards of the Shariah Advisory Council of Securities Commission Malaysia ("SAC-SC"); or

(iv) Decisions or advices of the Group Shariah Committee ("GSC").

The Group mitigates such risk by initiating, monitoring and adhering to a robust Group Shariah Risk Management ("Group SRM") Framework which is guided by the Shariah Governance Framework issued by BNM.

### (c) Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage, which the Group may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.

The Group monitors all compliance aspects in observing regulatory requirements. In this respect, it has developed a Group Compliance Management Framework and other relevant internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.







## 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS

### (a) Consolidated income statements by fund

| For the year ended 31 March 2023 | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| Gross earned premiums/contributions | 1,845,592 | 640,169 | 765,065 | 73,032 | 18,753 | (27,397) | 3,315,214 |
| Premiums/contributions ceded to reinsurers/retakaful operators | (150,442) | (233,151) | (94,722) | (10,400) | (13,242) | 24,840 | (477,117) |
| **Net earned premiums/contributions** | 1,695,150 | 407,018 | 670,343 | 62,632 | 5,511 | (2,557) | 2,838,097 |
| Investment income | 176,250 | 22,886 | 146,088 | 1,878 | 320 | (31,236) | 316,186 |
| Net realised gains | (1,888) | (481) | 6,015 | - | - | - | 3,646 |
| Net fair value losses | (23,694) | (1,141) | 37,969 | - | (70) | 12,420 | 25,484 |
| Fee and commission income | 609,165 | 56,545 | - | 172 | - | (603,211) | 62,671 |
| Other operating revenue | 34,310 | 6,277 | 12,747 | 557 | 2 | (8,175) | 45,718 |
| **Other revenue** | 794,143 | 84,086 | 202,819 | 2,607 | 252 | (630,202) | 453,705 |
| Gross claims and benefit paid | (1,093,593) | (269,211) | (424,321) | (46,404) | (15,115) | 18,990 | (1,829,654) |
| Claims ceded to reinsurers/retakaful operators | 277,366 | 119,036 | 80,796 | 36,292 | 11,926 | (18,990) | 506,426 |
| Gross change in contract liabilities | (214,342) | (89,262) | (279,998) | (18,783) | (5,658) | (1,070) | (609,113) |
| Change in contract liabilities ceded to reinsurers/retakaful operators | (162,141) | 27,390 | 23,233 | (21,765) | 4,001 | 1,070 | (128,212) |
| **Net claims and benefits** | (1,192,710) | (212,047) | (600,290) | (50,660) | (4,846) | - | (2,060,553) |

### 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

#### (a) Consolidated income statements by fund (cont'd.)

| For the year ended 31 March 2023 (cont'd.) | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| Fee and commission expenses | (639,330) | (268,313) | (247,534) | (17,867) | (1,048) | 536,002 | (638,090) |
| Management expenses | (423,072) | - | (3,640) | - | - | 73,300 | (353,412) |
| Finance costs | (24,091) | - | - | - | - | 2,486 | (21,605) |
| Other operating expenses | (6,293) | - | - | (120) | - | (426) | (6,839) |
| Changes in expense liabilities | (17,353) | - | - | - | - | - | (17,353) |
| Tax borne by participants | - | (1,637) | (14,885) | 317 | 3 | 37 | (16,165) |
| **Other expenses** | (1,110,139) | (269,950) | (266,059) | (17,670) | (1,045) | (10,750) | (1,053,464) |
| Share of results of associates | - | - | - | - | - | (16,725) | (16,725) |
| **Operating profit/(loss) before (surplus)/deficit attributable to takaful participants, zakat and taxation** | 186,444 | 9,107 | 6,813 | (3,091) | (128) | (38,085) | 161,060 |
| (Surplus)/deficit attributable to takaful participants | - | (9,107) | (6,813) | 3,091 | 128 | 2,591 | (10,110) |
| **Operating profit before zakat and taxation** | 186,444 | - | - | - | - | (35,494) | 150,950 |
| Zakat | (1,429) | - | - | - | - | - | (1,429) |
| Taxation | (30,000) | - | - | - | - | (48) | (30,048) |
| **Net profit for the year to equity holders of the Parent** | 155,015 | - | - | - | - | (35,542) | 119,473 |





### 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

#### (a) Consolidated income statements by fund (cont'd.)

| For the year ended 31 March 2022 | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| Gross earned premiums/ contributions | 1,610,115 | 493,392 | 714,618 | 62,657 | 10,017 | 11,145 | 2,901,944 |
| Premiums/contributions ceded to reinsurers/retakaful operators | (196,275) | (186,054) | (96,166) | (9,908) | (8,485) | (13,537) | (510,425) |
| **Net earned premiums/ contributions** | 1,413,840 | 307,338 | 618,452 | 52,749 | 1,532 | (2,392) | 2,391,519 |
| Investment income | 198,603 | 16,794 | 133,244 | 1,789 | 366 | (84,983) | 265,813 |
| Net realised gains | 7,981 | 2,860 | 6,252 | - | - | - | 17,093 |
| Net fair value losses | (5,091) | (1,085) | (47,113) | - | (102) | (2,168) | (55,559) |
| Fee and commission income | 504,382 | 42,513 | - | 230 | - | (500,483) | 46,642 |
| Other operating revenue | 31,036 | 7,658 | 12,883 | 322 | 17 | (17,080) | 34,836 |
| **Other revenue** | 736,911 | 68,740 | 105,266 | 2,341 | 281 | (604,714) | 308,825 |
| Gross claims and benefit paid | (660,587) | (214,448) | (398,193) | (18,038) | (7,990) | 35,191 | (1,264,065) |
| Claims ceded to reinsurers/ retakaful operators | 33,322 | 112,639 | 71,486 | 1,688 | 8,192 | (35,191) | 192,136 |
| Gross change in contract liabilities | (749,568) | (100,327) | (172,294) | (34,131) | (2,240) | 10,898 | (1,047,662) |
| Change in contract liabilities ceded to reinsurers/retakaful operators | 398,689 | 49,099 | 13,331 | 28,293 | 2,036 | (10,898) | 480,550 |
| **Net claims and benefits** | (978,144) | (153,037) | (485,670) | (22,188) | (2) | - | (1,639,041) |

## 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

### (a) Consolidated income statements by fund (cont'd.)

| For the year ended 31 March 2022 (cont'd.) | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| Fee and commission expenses | (575,715) | (195,153) | (234,717) | (20,413) | (414) | 452,017 | (574,395) |
| Management expenses | (352,030) | - | (3,415) | - | - | 58,289 | (297,156) |
| Finance costs | (17,239) | - | - | - | - | 394 | (16,845) |
| Other operating expenses | (5,323) | - | - | (53) | - | - | (5,376) |
| Changes in expense liabilities | (12,631) | - | - | - | - | - | (12,631) |
| Tax borne by participants | - | (5,374) | (6,120) | (1,004) | (104) | - | (12,602) |
| **Other expenses** | (962,938) | (200,527) | (244,252) | (21,470) | (518) | 510,700 | (919,005) |
| | | | | | | | |
| Share of results of associates | - | - | - | - | - | 2,769 | 2,769 |
| **Operating profit before surplus attributable to takaful participants, zakat and taxation** | 209,669 | 22,514 | (6,204) | 11,433 | 1,292 | (93,637) | 145,067 |
| (Surplus)/deficit attributable to takaful participants | - | (22,514) | 6,204 | (11,433) | (1,292) | 11,450 | (17,585) |
| **Operating profit before zakat and taxation** | 209,669 | - | - | - | - | (82,187) | 127,482 |
| Zakat | (1,147) | - | - | - | - | - | (1,147) |
| Taxation | (11,850) | - | - | - | - | (63) | (11,913) |
| **Net profit for the year to equity holders of the Parent** | 196,672 | - | - | - | - | (82,250) | 114,422 |



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

### (b) Consolidated statement of financial position by fund

| As at 31 March 2023 | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Property, plant and equipment | 143,667 | - | - | - | - | 82,135 | 225,802 |
| Investment properties | - | - | 82,085 | - | - | (82,085) | - |
| Intangible assets | 124,797 | - | - | - | - | - | 124,797 |
| Right-of-use assets | 13,350 | - | - | - | - | (9,982) | 3,368 |
| Investments in subsidiaries | 1,304,476 | - | - | - | - | (1,304,476) | - |
| Investments in associates | 115,769 | - | - | - | - | 6,395 | 122,164 |
| Financial and other assets | 5,470,723 | 826,780 | 3,965,928 | 70,741 | 11,021 | (311,477) | 10,033,716 |
| Deferred tax assets | 41,188 | 7,834 | - | - | - | (6,404) | 42,618 |
| Reinsurance/retakaful assets | 406,949 | 314,224 | 121,035 | 10,094 | 13,595 | (15,205) | 850,692 |
| Insurance/takaful receivables | 499,682 | 92,583 | 46,718 | 63,934 | 5,552 | (1,928) | 706,541 |
| Tax recoverable | 42,015 | - | - | 693 | (285) | - | 42,423 |
| Cash and bank balances | 146,731 | 47,196 | 9,023 | 2,389 | 123 | - | 205,462 |
| **Total assets** | 8,309,347 | 1,288,617 | 4,224,789 | 147,851 | 30,006 | (1,643,027) | 12,357,583 |

## 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

### (b) Consolidated statement of financial position by fund (cont'd.)

| As at 31 March 2023 (cont'd.) | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **Liabilities and participants' funds** | | | | | | | |
| Participants' funds | - | 177,121 | 200,258 | 3,620 | 120 | 23,129 | 404,248 |
| Borrowing | 571,000 | - | - | - | - | (51,000) | 520,000 |
| Insurance/takaful contract liabilities | 3,376,576 | 828,323 | 3,864,274 | 128,785 | 17,628 | (25,202) | 8,190,384 |
| Lease liabilities | 13,767 | - | - | - | - | (10,341) | 3,426 |
| Insurance/takaful payables | 188,648 | 81,473 | 31,355 | 5,431 | 860 | (1,151) | 306,616 |
| Other payables | 256,284 | 197,916 | 123,106 | 10,009 | 11,381 | (263,027) | 335,669 |
| Deferred tax liabilities | 4,672 | - | 5,486 | 6 | 17 | (5,463) | 4,718 |
| Tax payable | 3,652 | 3,784 | 310 | - | - | - | 7,746 |
| Provision for zakat | 2,203 | - | - | - | - | - | 2,203 |
| **Total liabilities and participants' funds** | 4,416,802 | 1,288,617 | 4,224,789 | 147,851 | 30,006 | (333,055) | 9,775,010 |
| **Equity** | | | | | | | |
| Share capital | 2,043,108 | - | - | - | - | (1,304,606) | 738,502 |
| Reserves | 1,849,437 | - | - | - | - | (5,366) | 1,844,071 |
| **Total equity attributable to equity holders of the Parent** | 3,892,545 | - | - | - | - | (1,309,972) | 2,582,573 |
| **Total liabilities, participants' funds and equity** | 8,309,347 | 1,288,617 | 4,224,789 | 147,851 | 30,006 | (1,643,027) | 12,357,583 |





## 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

### (b) Consolidated statement of financial position by fund (cont'd.)

| As at 31 March 2022 | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Property, plant and equipment | 129,542 | - | - | - | - | 81,671 | 211,213 |
| Investment properties | - | - | 81,620 | - | - | (81,620) | - |
| Intangible assets | 75,136 | - | - | - | - | - | 75,136 |
| Right-of-use assets | 11,992 | - | - | - | - | (6,438) | 5,554 |
| Investments in subsidiaries | 1,304,477 | - | - | - | - | (1,304,477) | - |
| Investments in associates | 122,326 | - | - | - | - | 11,768 | 134,094 |
| Financial and other assets | 4,756,876 | 670,735 | 3,744,872 | 104,401 | 10,100 | (311,001) | 8,975,983 |
| Deferred tax assets | 35,817 | 5,836 | - | - | - | (3,323) | 38,330 |
| Reinsurance/retakaful assets | 569,575 | 259,972 | 97,802 | 31,603 | 9,594 | (16,275) | 952,271 |
| Insurance/takaful receivables | 468,481 | 68,044 | 41,048 | 33,371 | 5,199 | (1,317) | 614,826 |
| Tax recoverable | 50,431 | - | - | 560 | - | (289) | 50,702 |
| Cash and bank balances | 195,791 | 7,167 | 10,981 | 46 | 65 | - | 214,050 |
| **Total assets** | 7,720,444 | 1,011,754 | 3,976,323 | 169,981 | 24,958 | (1,631,301) | 11,272,159 |

## 37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

### (b) Consolidated statement of financial position by fund (cont'd.)

| As at 31 March 2022 (cont'd.) | General reinsurance and shareholders' fund RM'000 | General takaful fund RM'000 | Family takaful fund RM'000 | General retakaful fund RM'000 | Family retakaful fund RM'000 | Eliminations and adjustments RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **Liabilities and participants' funds** | | | | | | | |
| Participants' funds | - | 170,580 | 193,445 | 7,067 | 138 | 23,179 | 394,409 |
| Borrowing | 371,000 | - | - | - | - | (51,000) | 320,000 |
| Insurance/takaful contract liabilities | 3,136,298 | 672,298 | 3,584,276 | 108,490 | 11,970 | (26,275) | 7,487,057 |
| Lease liabilities | 12,011 | - | - | - | - | (6,535) | 5,476 |
| Insurance/takaful payables | 201,478 | 59,657 | 34,193 | 11,487 | - | (1,316) | 305,499 |
| Other payables | 213,276 | 109,219 | 161,357 | 42,754 | 12,546 | (261,359) | 277,793 |
| Deferred tax liabilities | 2,958 | - | 2,628 | 183 | 15 | (2,606) | 3,178 |
| Tax payable | 4,895 | - | 424 | - | 289 | (289) | 5,319 |
| Provision for zakat | 1,754 | - | - | - | - | - | 1,754 |
| **Total liabilities and participants' funds** | 3,943,670 | 1,011,754 | 3,976,323 | 169,981 | 24,958 | (326,201) | 8,800,485 |
| **Equity** | | | | | | | |
| Share capital | 2,043,108 | - | - | - | - | (1,304,606) | 738,502 |
| Reserves | 1,733,666 | - | - | - | - | (494) | 1,733,172 |
| **Total equity attributable to equity holders of the Parent** | 3,776,774 | - | - | - | - | (1,305,100) | 2,471,674 |
| **Total liabilities, participants' funds and equity** | 7,720,444 | 1,011,754 | 3,976,323 | 169,981 | 24,958 | (1,631,301) | 11,272,159 |



NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

## 38. FAIR VALUES OF ASSETS

MFRS 7 *Financial Instruments: Disclosures* ("MFRS 7") requires the classification of financial instruments measured at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. MFRS 13 *Fair Value Measurement* requires similar disclosure requirements as MFRS 7, but extends to include all assets and liabilities measured at fair value and/or for which fair values are disclosed. The following levels of hierarchy are used for determining and disclosing the fair value of the Group's and the Company's assets:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

The fair values of the Group's and Company's assets are determined as follows:

(i) The carrying amounts of financial assets, such as financial assets at amortised cost, insurance/takaful receivables and cash and bank balances, are reasonable approximation of their fair values due to the relatively short term maturity of these balances;

(ii) The fair values of quoted equities are based on quoted market prices as at the reporting date;

(iii) The fair values of Malaysian government securities, government investment issues, unquoted islamic private debt securities, unquoted perpetual bond, commercial papers and unquoted corporate debt securities are based on indicative market prices from the Bond Pricing Agency of Malaysia ("BPAM");

(iv) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date;

(v) Freehold land and buildings have been revalued based on valuations performed by accredited independent valuers having appropriate recognised professional qualification. The valuations are based on the income and comparison approaches. In arriving at the fair value of the assets, the valuers had also taken into consideration the future developments in terms of infrastructure in the vicinity of the properties; and

(vi) Fair value of unquoted shares in Malaysia are derived using the net assets of the invested companies.

## 38. FAIR VALUES OF ASSETS (CONT'D.)

**Description of significant unobservable inputs:**

| | Valuation technique | Significant unobservable inputs | Range |
|---|---|---|---|
| **2023** | | | |
| Property, plant and equipment | | | |
| Freehold land and office building of Malaysian Re | Income approach | Yield | 6.25% |
| | | Rental per square foot | RM1.40 to RM5.40 |
| Office buildings of Takaful IKHLAS Family | Comparison approach | Sales price per square feet for similar properties | RM769 to RM1,832 |
| Unquoted shares in Malaysia | Net assets | Net assets | Not applicable |
| **2022** | | | |
| Property, plant and equipment | | | |
| Freehold land and office building of Malaysian Re | Income approach | Yield | 6.25% |
| | | Rental per square foot | RM4.50 |
| Office buildings of Takaful IKHLAS Family | Comparison approach | Sales price per square feet for similar properties | RM692 to RM1,281 |
| Unquoted shares in Malaysia | Net assets | Net assets | Not applicable |

A significant increase or decrease in the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value.

The movement from opening balances to closing balances during the respective financial years are provided in Notes 13 and 18(b).

There have been no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year.





## 38. FAIR VALUES OF ASSETS (CONT'D.)

As at the reporting date, the Group and the Company held the following assets that are measured at fair value on a recurring basis and/or for which fair values are disclosed under Level 1, 2 and 3 of the fair value hierarchy:

| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Assets measured at fair value:** | | | | |
| **(a) Property, plant and equipment** | | | | |
| Freehold land | - | - | 36,800 | 36,800 |
| Buildings | - | - | 162,891 | 162,891 |
| | - | - | 199,691 | 199,691 |
| **(b) Financial assets at FVTPL** | | | | |
| Designated upon initial recognition: | | | | |
| Government investment issues | - | 1,414,505 | - | 1,414,505 |
| Unquoted Islamic private debt securities | - | 1,436,711 | - | 1,436,711 |
| Mandatorily measured: | | | | |
| Quoted shares in Malaysia: | | | | |
| Shariah approved equities | 166,292 | - | - | 166,292 |
| Others | 56,296 | - | - | 56,296 |
| Unquoted perpetual bond in Malaysia | - | 4,884 | - | 4,884 |
| Unquoted corporate debt securities | - | 5,576 | - | 5,576 |
| Shariah approved unit trust funds | 346,407 | - | - | 346,407 |
| Real estate investment trusts: | | | | |
| - Shariah approved | 5,859 | - | - | 5,859 |
| - Non-Shariah approved | 8,694 | - | - | 8,694 |
| Derivative | - | 69 | - | 69 |
| | 583,548 | 2,861,745 | - | 3,445,293 |

## 38. FAIR VALUES OF ASSETS (CONT'D.)

| Group (cont'd.) | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2023 (cont'd.)** | | | | |
| **Assets measured at fair value (cont'd.):** | | | | |
| **(c) Financial assets at FVOCI** | | | | |
| Malaysian government securities | **-** | **89,773** | **-** | **89,773** |
| Government investment issues | **-** | **685,736** | **-** | **685,736** |
| Unquoted corporate debt securities | **-** | **635,572** | **-** | **635,572** |
| Unquoted shares in Malaysia | **-** | **-** | **87,119** | **87,119** |
| Unquoted Islamic private debt securities | **-** | **305,469** | **-** | **305,469** |
| Golf club memberships | **-** | **-** | **233** | **233** |
| | **-** | **1,716,550** | **87,352** | **1,803,902** |
| **2022** | | | | |
| **Assets measured at fair value:** | | | | |
| **(a) Property, plant and equipment** | | | | |
| Freehold land | - | - | 36,800 | 36,800 |
| Buildings | - | - | 162,107 | 162,107 |
| | - | - | 198,907 | 198,907 |





## 38. FAIR VALUES OF ASSETS (CONT'D.)

| Group (cont'd.) | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2022 (cont'd.)** | | | | |
| **Assets measured at fair value (cont'd.):** | | | | |
| **(b) Financial assets at FVTPL** | | | | |
| Designated upon initial recognition: | | | | |
| Government investment issues | - | 1,171,196 | - | 1,171,196 |
| Unquoted Islamic private debt securities | - | 1,374,595 | - | 1,374,595 |
| Mandatorily measured: | | | | |
| Quoted shares in Malaysia: | | | | |
| Shariah approved equities | 188,017 | - | - | 188,017 |
| Others | 66,086 | - | - | 66,086 |
| Unquoted corporate debt securities | - | 7,705 | - | 7,705 |
| Unquoted perpetual bond in Malaysia | - | 4,930 | - | 4,930 |
| Unquoted Islamic private debt securities | - | 653 | - | 653 |
| Shariah approved unit trust funds | 358,551 | - | - | 358,551 |
| Real estate investment trusts: | | | | |
| - Shariah approved | 6,447 | - | - | 6,447 |
| - Non-Shariah approved | 9,273 | - | - | 9,273 |
| | 628,374 | 2,559,079 | - | 3,187,453 |
| **(c) Financial assets at FVOCI** | | | | |
| Malaysian government securities | - | 99,358 | - | 99,358 |
| Government investment issues | - | 612,490 | - | 612,490 |
| Unquoted corporate debt securities | - | 753,640 | - | 753,640 |
| Unquoted shares | - | - | 87,189 | 87,189 |
| Unquoted Islamic private debt securities | - | 420,784 | - | 420,784 |
| Golf club memberships | - | - | 233 | 233 |
| | - | 1,886,272 | 87,422 | 1,973,694 |

### 38. FAIR VALUES OF ASSETS (CONT'D.)

| Company | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Assets measured at fair value** | | | | |
| **(a) Financial assets at FVTPL** | | | | |
| Shariah approved unit trust fund | **5,181** | **-** | **-** | **5,181** |
| **(b) Financial assets at FVOCI** | | | | |
| Golf club membership | **-** | **-** | **50** | **50** |
| Unquoted corporate debt securities | **-** | **49,632** | **-** | **49,632** |
| | **-** | **49,632** | **50** | **49,682** |
| **2022** | | | | |
| **Assets measured at fair value** | | | | |
| **(a) Financial assets at FVTPL** | | | | |
| Shariah approved unit trust fund | 38,340 | - | - | 38,340 |
| **(b) Financial assets at FVOCI** | | | | |
| Golf club membership | - | - | 50 | 50 |
| Unquoted corporate debt securities | - | 49,560 | - | 49,560 |
| | - | 49,560 | 50 | 49,610 |



# ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2023

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF ISSUED SHARE CAPITAL |
|---|---|---|---|---|
| Less than 100 | 436 | 6.84 | 7,607 | 0.00 |
| 100 - 1,000 | 470 | 7.38 | 267,025 | 0.03 |
| 1,001 - 10,000 | 3,184 | 49.98 | 13,593,469 | 1.74 |
| 10,001 - 100,000 | 1,798 | 28.23 | 57,908,908 | 7.39 |
| 100,001 to less than 5% of issued shares | 480 | 7.54 | 283,068,783 | 36.15 |
| 5% and above of issued shares | 2 | 0.03 | 428,240,904 | 54.69 |
| **Total** | **6,370** | **100.00** | **783,086,696** | **100.00** |

**Directors' Shareholdings**

| NO. | NAME OF DIRECTORS | NO. OF SHARES HELD THROUGH OWN NAME | NO. OF SHARES HELD THROUGH NOMINEES | % |
|---|---|---|---|---|
| 1. | Datuk Johar Che Mat | 0.00 | - | - |
| 2. | George Oommen | 0.00 | - | - |
| 3. | Khalid Sufat | 0.00 | - | - |
| 4. | Junaidah Mohd Said | 0.00 | - | - |
| 5. | Zaida Khalida Shaari | 0.00 | - | - |
| 6. | Dato' Wan Roshdi Wan Musa | 0.00 | - | - |

**Substantial Shareholders**

| NO. | NAME OF SUBSTANTIAL SHAREHOLDERS | NO. OF SHARES HELD THROUGH OWN NAME | NO. OF SHARES HELD THROUGH NOMINEES | % |
|---|---|---|---|---|
| 1. | Amanahraya Trustees Berhad Amanah Saham Bumiputera | 334,049,504 | - | 42.66 |
| 2. | Permodalan Nasional Berhad | 94,191,400 | - | 12.03 |

**30 Largest Shareholders**

| NO. | NAME OF SHAREHOLDERS | NO. OF SHARES | % |
|---|---|---|---|
| 1. | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM BUMIPUTERA | 334,049,504 | 42.66 |
| 2. | PERMODALAN NASIONAL BERHAD | 94,191,400 | 12.03 |
| 3. | KONG GOON KHING | 39,137,000 | 4.99 |
| 4. | KONG GOON SIONG | 8,198,700 | 1.05 |
| 5. | NG LONG TIANG | 6,800,082 | 0.87 |
| 6. | CHEN CHIN PENG | 6,592,514 | 0.84 |
| 7. | PROMSERV SDN. BHD. | 6,533,070 | 0.83 |
| 8. | OLIVE LIM SWEE LIAN | 6,076,000 | 0.78 |
| 9. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006) | 6,038,700 | 0.77 |
| 10. | LIM PEI TIAM @ LIAM AHAT KIAT | 5,930,000 | 0.76 |
| 11. | NEOH CHOO EE & COMPANY, SDN. BHD. | 5,312,316 | 0.68 |
| 12. | ONG HUNG HOCK | 5,000,000 | 0.64 |
| 13. | MARK SIA ENG JOO | 4,000,000 | 0.51 |
| 14. | KENANGA NOMINEES (ASING) SDN. BHD.<br>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD. (CLIENT ACCOUNT) | 3,800,100 | 0.49 |
| 15. | LIEW SWEE MIO @ LIEW HOI FOO | 3,375,300 | 0.43 |
| 16. | JOHAN ENTERPRISE SDN. BHD. | 3,329,000 | 0.43 |
| 17. | CITIGROUP NOMINEES (ASING) SDN. BHD.<br>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC | 3,028,594 | 0.39 |
| 18. | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR ABDUL WAHID BIN OMAR | 2,710,804 | 0.35 |
| 19. | LEE CHEE BENG | 2,381,342 | 0.30 |
| 20. | PROMSERV ENGINEERING SDN. BHD. | 2,237,100 | 0.29 |
| 21. | LEE MAY LIN | 2,186,732 | 0.28 |
| 22. | GAN HONG HU | 2,065,900 | 0.26 |
| 23. | TAN LEE HWA | 2,000,000 | 0.26 |
| 24. | DING HUONG KAI | 1,970,000 | 0.25 |
| 25. | OOI CHIN HOCK | 1,933,350 | 0.25 |
| 26. | YUET KAM ALICE LIN | 1,872,800 | 0.24 |
| 27. | QUEK PHAIK IM | 1,850,000 | 0.24 |
| 28. | THONG WENG TIM | 1,745,070 | 0.22 |
| 29. | WONG SOO CHAI @ WONG CHICK WAI | 1,726,900 | 0.22 |
| 30. | DERRICK KONG YING KIT | 1,700,000 | 0.22 |
| | **TOTAL** | **567,772,278** | **72.50** |



# LIST OF PROPERTIES

**31 MARCH 2023**

| ADDRESS | DATE OF ACQUISITION | DATE OF REVALUATION | DESCRIPTION OF PROPERTIES | TENURE/ EXISTING USE/AGE OF BUILDINGS | LAND AREA (SQ. FT.) BUILD-UP AREA (SQ. FT.) | NET BOOK VALUE AS AT 31/3/2023 (RM) |
|---|---|---|---|---|---|---|
| **SELF OCCUPIED PROPERTIES** | | | | | | |
| IKHLAS Point, Tower 11A Avenue 5, Bangsar South No. 8, Jln Kerinchi 59200 Kuala Lumpur | 26 September 2008 | 31 March 2023 | 1 unit of 10 storey corner office building | Leasehold/ office premise/ occupied/ 15 years | Strata | 79,000,000 |
| No. 17, Lorong Dungun Damansara Heights 50490 Kuala Lumpur | 17 February 1995 | 31 March 2023 | 1 unit of 12 storey building with 2 storey basement car park | Freehold/ office premise/ rented out/ 28 years | 61,300/ 366,409 | 114,000,000 |
| Lot 528, Section 6 Kuching Town Land District No. 11C, Jalan Kulas 93400 Kuching, Sarawak | 7 October 2010 | 31 March 2023 | 4 storey intermediate terraced shophouse | Leasehold/ office premise/ occupied/ 13 years | Not applicable/ 1,200 | 1,735,000 |
| Manchester Tower Apartment 2406, Dubai Marina Dubai, UAE | 28 July 2008 | 31 March 2023 | 1 unit of apartment | Freehold/ occupied by staff/ 15 years | Not applicable/ 1,011 | 997,033 |
| Apt. 507 Marina Diamond 5 Dubai Marina Dubai, UAE | 29 July 2008 | 31 March 2023 | 1 unit of apartment | Freehold/ occupied by staff/ 15 years | Not applicable/ 1,084 | 892,379 |
| Yansoon 4, Apartment 204 Burj Khalifa, Dubai Downtown, UAE | 30 September 2010 | 31 March 2023 | 1 unit of apartment | Freehold/ occupied by staff/ 13 years | Not applicable/ 1,475 | 1,490,588 |
| PT 483, Jalan Jambatan Sultan Yahya KB Waterfront, Seksyen 17 15000 Kota Bahru, Kelantan | 31 January 2013 | 31 March 2023 | 3 storey shophouse | Leasehold/ office premise/ occupied/ 10 years | Not applicable/ 4,680 | 1,350,000 |
| **TOTAL SELF OCCUPIED PROPERTIES** | | | | | | **199,465,000** |

# GROUP'S OFFICES

## MNRB HOLDINGS BERHAD

12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2096 8000
Fax : +603 2096 7000
Website : www.mnrb.com.my
Email : enquiry@mnrb.com.my

## MALAYSIAN REINSURANCE BERHAD

12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2096 8000
Fax : +603 2096 7000
Website : www.malaysian-re.com.my
Email : enquiry@malaysian-re.com.my

## TAKAFUL IKHLAS FAMILY BERHAD

9th Floor, IKHLAS Point
Tower 11A, Avenue 5, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603 2723 9999
Fax : +603 2723 9998
Website : www.takaful-ikhlas.com.my
Email : ikhlascare@takaful-ikhlas.com.my

## TAKAFUL IKHLAS GENERAL BERHAD

5th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2707 3333
Fax : +603 2707 3322
Website : www.takaful-ikhlas.com.my
Email : ikhlascare@takaful-ikhlas.com.my

## MALAYSIAN RE (DUBAI) LTD.

Unit 101, Level 1
Gate Village 4, The Gate District
Dubai International Financial Centre
P. O. Box 506571
Dubai, United Arab Emirates
Tel : +971 4 3230388
Fax : +971 4 3230288
Website : www.malaysian-re.com.my/our-solutions/dubai
Email : enquiry@malaysian-re.com.my

## MMIP SERVICES SDN. BHD.

6th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2080 6000
Fax : +603 2080 6001
Email : mmip_support@malaysian-re.com.my

## TAKAFUL IKHLAS BRANCHES

| Branches | Address | Telephone/Fax |
|---|---|---|
| **Kuala Lumpur (Main)** | IKHLAS Point, Tower 11A, Avenue 5, Bangsar South, No. 8, Jalan Kerinchi, 59200, Kuala Lumpur | T +603 2723 9999 (General line)<br>F +603 2723 9998 |
| **Johor** | No. 32, 32-01 & 32-02, Jalan Setia Tropika 1/1, Taman Setia Tropika, 81200 Johor Bahru, Johor | T +607 232 7180<br>F +607 232 7185 |
| **Kedah** | No. 57, Jalan Lagenda 3, Lagenda Heights, 08000 Sungai Petani, Kedah | T +604 422 8100<br>F +604 422 3100 |
| **Kelantan** | PT 483, Jalan Jambatan Sultan Yahya, KB Waterfront, Seksyen 17, 15000 Kota Bharu, Kelantan | T +609 746 1000<br>F +609 747 9100 |
| **Melaka** | No. 10, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka | T +606 286 3100<br>F +606 288 3100 |
| **Negeri Sembilan** | 538, Ground & 1st Floor, 539, 1st Floor, Jalan Bandar Senawang 16, Pusat Bandar Senawang, 70450 Seremban, Negeri Sembilan | T +606 677 5600<br>F +606 677 5362 |
| **Pahang** | B284, Ground & 1st Floor, Jalan Beserah, 25300 Kuantan, Pahang | T +609 567 0700<br>F +609 567 1700 |
| **Perak** | No. 11A, 1st Floor, Persiaran Greentown 9, Pusat Perdagangan Greentown, 30450 Ipoh, Perak | T +605 243 0300<br>F +605 243 1300 |
| **Putrajaya** | No. 12, Jalan Diplomatik, P15 Presint 15, 62050 Putrajaya | T +603 8861 5660<br>F +603 8890 5100 |
| **Sabah** | Dewan Bandaraya Kota Kinabalu (DBKK), No. D-G-8 (D-9-1), Level 1, Block D, Harbour City Sembulan, Jalan Pantai Baru, 88100 Kota Kinabalu, Sabah | T +6088 447 110<br>F +6088 447 130 |
| **Sarawak** | 528 Section 6, KTLD No. 11C, Kuching Town Land District (KTLD), No. 11C, Jalan Kulas, 93400 Kuching, Sarawak | T +6082 251 300<br>F +6082 251 310 |
| **Selangor** | No. 97, 97-1 & 97-2, Jalan Mahogani 5/KS7, 41200 Klang, Selangor | T +603 3323 1144<br>F +603 3323 1444 |
| **Terengganu** | Lot PT 3593, Ground Floor, Jalan Sultan Zainal Abidin, 20000 Kuala Terengganu, Terengganu | T +609 631 8170<br>F +609 631 8171 |

# NOTICE OF THE 50TH ANNUAL GENERAL MEETING



**NOTICE IS HEREBY GIVEN THAT** the Fiftieth (50th) Annual General Meeting ("AGM") of MNRB Holdings Berhad ("MNRB" or "the Company") will be conducted virtually for the purpose of considering and if thought fit, passing with or without modifications the resolutions set out in this notice.

| | | |
|---|---|---|
| Day and Date | : | Wednesday, 20 September 2023 |
| Time | : | 11.00 a.m. |
| Broadcast venue | : | Dillenia Room, Level G,<br>Sime Darby Convention Centre,<br>1A, Jalan Bukit Kiara 1, Bukit Kiara,<br>60000 Kuala Lumpur. |
| Meeting Platform | : | https://meeting.boardroomlimited.my/ |
| Mode of communication | : | (i) Shareholders are encouraged to submit questions in advance prior to the 50th AGM via the Share Registrars' website, Boardroom Smart Investor Portal at https://investor.boardroomlimited.com/ or email to the Company's Investor Relations at ir@mnrb.com.my in relation to the agenda items for the 50th AGM no later than 11.00 a.m. on Monday, 18 September 2023.<br>(ii) Pose questions via real time submission of typed texts at https://meeting.boardroomlimited.my/ during live streaming of the 50th AGM. |

**AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 31 March 2023 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To re-elect the following Directors, each of whom retires by rotation pursuant to Clause 91 of the Company's Constitution and being eligible, have offered themselves for re-election:

   (i) George Oommen **(Ordinary Resolution 1)**

   (ii) Dato' Wan Roshdi Wan Musa **(Ordinary Resolution 2)** **[Please refer to Explanatory Note (ii)]**

3. To approve the payment of Directors' Fees and payment thereof to the Directors for the period from the 50th AGM until the next AGM of the Company in 2024, to be payable on a monthly basis as follows:

| Directors' Fees | Chairman Per Annum | Directors Per Annum |
|---|---|---|
| Board | RM130,000 | RM70,000 |
| • Audit Committee<br>• Risk Management Committee of the Board | RM22,000 | RM17,000 |
| • Group Nomination & Remuneration Committee<br>• Group Investment Committee | RM17,000 | RM12,000 |

**(Ordinary Resolution 3)** **[Please refer to Explanatory Note (iii)]**

4. To approve the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors up to an amount of RM787,229 from the conclusion of the 50th AGM until the conclusion of the next AGM in 2024. **(Ordinary Resolution 4)** **[Please refer to Explanatory Note (iv)]**

5. To reappoint Messrs Ernst & Young PLT as Auditors of the Company for the financial year ending 31 March 2024 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolution, with or without modifications:

6. Proposed renewal of the authority for Directors to allot and issue new ordinary shares of MNRB, for the purpose of the Company's Dividend Reinvestment Plan ("DRP") that provides the shareholders of MNRB the option to elect to reinvest their cash dividend in new MNRB Shares.

   "**THAT** pursuant to the DRP approved at the Extraordinary General Meeting held on 25 September 2019, approval be and is hereby given to the Company to allot and issue such number of new MNRB Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors of the Company may, at their sole and absolute discretion, deem fit and in the interest of the Company. **PROVIDED THAT** the issue price of the said new MNRB Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAP") of MNRB Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price of MNRB Shares at the material time;

   **AND THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations, arrangements and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company." **(Ordinary Resolution 6)** **[Please refer to Explanatory Note (v)]**

7. To transact any other business for which due notice shall have been given.

**By Order of the Board**

LENA ABD LATIF
(SSM Practicing Certificate No. 201908002386)
(LS 0008766)
Company Secretary
Kuala Lumpur
27 July 2023

**NOTES:**

**REMOTE PARTICIPATION AND ELECTRONIC VOTING, PROXY AND/OR CORPORATE REPRESENTATIVES**

1. The Securities Commission Malaysia had on 7 April 2022, revised the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers ("SC's Guidance") which encourage listed issuers to conduct virtual general meetings. As such, the Board and Management have considered all available options and decided that the 50th AGM shall be conducted virtually and entirely via remote participation and electronic voting facilities.

2. The main and only venue for the 50th AGM is the broadcast venue which is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 (the Act) and Article 68 of the Constitution of the Company that require the Chairman of the meeting to be present at the main venue of the meeting. **No shareholders/proxies/corporate representatives should be physically present nor admitted at the broadcast venue on the day of the 50th AGM.**

3. As the 50th AGM will be conducted virtually, a member who is not able to participate in the AGM is encouraged to appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the instrument appointing a proxy.

4. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 13 September 2023 shall be eligible to attend this 50th AGM or appoint a proxy(ies) to attend, speak and vote on his/her behalf.

5. Every member including authorised nominees as defined under the Securities Industry (Central Depositories) Act, 1991 (Central Depositories Act) and authorised nominees defined under the Central Depositories Act which are exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act (Exempt Authorised Nominees) which hold ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote instead of him/her at the AGM and that such proxy need not be a member.





6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy, and only one (1) proxy shall be entitled to vote.

7. The instrument appointing a proxy (ies) shall be in writing under the hand of the member or his/her attorney duly authorised in writing or, if the member is a Corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or in the case of a sole director, by that director in the presence of a witness who attests the signature or of its attorney duly authorised in writing.

8. The Form of Proxy duly completed must be deposited at the Share Registrar's office, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the 50th AGM or any adjournment thereof. Alternatively, the Form of Proxy may also be deposited electronically through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com/ not less than forty-eight (48) hours before the time of holding the 50th AGM.

9. If the Form of Proxy is submitted without any instruction as to how the proxy shall vote, the proxy will vote in his/her discretion. Any alteration to the Form of Proxy must be initialed. If no name is inserted in the space provided for the name of your proxy, the Chairman of the Meeting will act as your proxy.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice are to be voted on a poll.

**Explanatory Notes**

(i) Item 1 of the Agenda – Audited Financial Statements for the Financial Year Ended 31 March 2023

This item on the Agenda is meant for discussion only. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

(ii) Ordinary Resolutions 1 & 2 – Re-election of Directors

The Group Nomination & Remuneration Committee ("GNRC") had considered the performance and contribution of each of the retiring Director and have also assessed the independence of the Independent Non-Executive Directors seeking re-election.

Based on the results of the Board Effectiveness Evaluation conducted, the performance of each of the retiring Director was found to be satisfactory. In addition, each of the retiring Director has also provided his annual declaration/confirmation on his fitness and propriety as well as independence. The retiring Directors have also fulfilled the independence criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other independence criteria applied by the Company.

The Board has endorsed the GNRC's recommendation on the re-election of the retiring Directors and the Board's statement of support are set out in the Statement Accompanying Notice of AGM. The retiring Directors had abstained from deliberations and decisions on their re-election at the GNRC and Board meetings.

The details and profiles of the Directors who are standing for re-election at the 50th AGM are provided in the Directors Profile section of the Company's Annual Report 2023.

(iii) Ordinary Resolution 3 – Directors' Fees

Pursuant to Section 230(1) of Companies Act 2016, any fees and benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Directors' Fees remain unchanged as per the fees approved at the last AGM held on 22 September 2022. The resolution if passed, will allow the Company to make the payment of fees to the Non-Executive Directors ("NEDs") on monthly basis.

The fees of each NED for the financial year ended 31 March 2023 are disclosed in the Notes to the Financial Statements of the Audited Financial Statements for the Financial Year Ended 31 March 2023.

(iv) Ordinary Resolution 4 – Directors' Benefits (excluding Directors' Fees)

The Directors' Benefits (excluding Directors' Fees) payable to the Chairman and Directors from the conclusion of this AGM up till the conclusion of the next AGM in 2024 of the Company comprises benefits in kind and emolument as set out below:-

| | Chairman | Directors |
|---|---|---|
| Benefits in kind: | • Company car and driver<br>• Petrol (incurred basis) | Nil |
| | • Medical benefits on incurred basis<br>• Directors' & Officers Liability Insurance coverage<br>• Other claimable expenses incurred in the course of carrying out their duties | |
| Emolument: | • Meeting Attendance Allowance, RM1,500 (per meeting) | |

Payment of the Directors' Benefits will be made by the Company as and when incurred if the proposed Ordinary Resolution 4 is passed at the 50th AGM of the Company.

The Directors' benefits remain unchanged as per the benefits approved at the last AGM held on 22 September 2022. The total estimated amount of benefits payable to NEDs for the period from 21 September 2023 until the next AGM of the Company in 2024 is up to RM787,229. In determining the estimated amount of benefits payable, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees and Board of subsidiaries, as well as the number of NEDs involved in these meetings.

(v) Ordinary Resolution 6

If passed, will give authority to the Directors to allot and issue shares for the DRP in respect of dividends to be declared until the next AGM. A renewal of this authority will be sought at the next AGM in 2024.



# STATEMENT ACCOMPANYING NOTICE OF THE 50TH ANNUAL GENERAL MEETING

**(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**



Details of persons who are standing for re-election as Directors at the 50th AGM

Based on the Group Nominations & Remuneration Committee ("GNRC")'s review, the Board found that the performance of the following retiring directors and contribution in discharge of their duties assessed during the Board Effectiveness Evaluation for the financial year ended 31 March 2023 were satisfactory:-

**George Oommen**

The Board, through the GNRC had assessed and was satisfied that George Oommen had contributed effectively during Board meetings. He had also led the Risk Management Committee of the Board ("RMCB")'s deliberations well and steered towards a good relationship between the Board and Management. He had demonstrated his diligence and commitment as a capable individual with high integrity who conducts himself in a professional manner, particularly as the Chairman of RMCB.

His past and current experiences will be able to provide a sound understanding especially on the reinsurance business to the Board. He is the only Director with an extensive insurance industry experience of almost thirty-eight (38) years and with him on Board, the composition has a good mix of expertise.

He had also carried his responsibility well in his capacity as a member of the Group Investment Committee ("GIC") and Audit Committee.

Taken into consideration the length of service, independence and industry experience, he was appointed as the Senior Independent Non-Executive Director of the Company effective 27 February 2020.

Overall, he has served as Independent Non-Executive Director for 5 years 6 months since the date of his appointment as Director on 1 January 2018.

**Dato' Wan Roshdi Wan Musa**

The Board, through the GNRC had assessed and was satisfied that Dato' Wan Roshdi Wan Musa had contributed invaluably during the Board meetings and had led Group Investment Committee ("GIC"). As the Chairman of GIC, he played an important role in enhancing the investment performance of the Company and the Group as a whole. He had been actively reviewing the Company's and the Group's investment portfolio and guiding the Investment Department in investment strategies, particularly, in the areas of asset allocation, investment relevant policies, economic & financial market outlooks.

He brings to the Board more than thirty (30) years of experience in Permodalan Nasional Berhad ("PNB") particularly in the areas of investment and risk management. With his past experience as the Chief Risk Officer, PNB and being aware of the risks associated with the MNRB Group, he provides oversight by reviewing, deliberating, challenging and acknowledging the key risks identified and reported by the Group Management Risk and Compliance Committee and Group Risk Management Department to the RMCB.

He had also carried his responsibility well in his capacity as a member of the RMCB.

He had served as Independent Non-Executive Director for 3 years 3 months since the date of his appointment as Director on 1 April 2020.

The retiring Directors have abstained themselves from deliberation and decision by the Board on their respective re-election. The Board upon due deliberation, resolved to support and approve the proposed re-election of George Oommen and Dato' Wan Roshdi Wan Musa to be tabled at the 50th AGM of the Company, as recommended by the GNRC.

No individual is seeking election as a Director at the 50th AGM.

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MNRB
MNRB HOLDINGS BERHAD
197201001795 (13487-A)

# PROXY FORM

| No. of Shares Held: |
|---|
| CDS Account No.: |

I/We ........................................................................................ MYKAD No./Passport No./Company No.
*(Full name in BLOCK LETTERS as per MYKAD/Passport/Certificate of Incorporation)*

........................................................ of ........................................................................................
*(Address in full)*
........................................................................................ being a member of MNRB HOLDINGS BERHAD ("the Company"), hereby appoint:

| PROXY 1 | | No. of Shares | % |
|---|---|---|---|
| Full name as per MYKAD/ Passport | | | |
| MYKAD/ Passport No. | | | |
| Address in full | | | |
| Email address/Tel No. | | | |

| PROXY 2 | | No. of Shares | % |
|---|---|---|---|
| Full name as per MYKAD/ Passport | | | |
| MYKAD/ Passport No. | | | |
| Address in full | | | |
| Email address/Tel No. | | | |
| | TOTAL SHARES | | 100% |

Or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the 50th Annual General Meeting of the Company to be held at the Dillenia Room, Level G, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur on **Wednesday, 20 September 2023** at **11.00 a.m.** and at any adjournment thereof, on the following resolutions referred to in the Notice of Annual General Meeting.

| AGENDA | | | |
|---|---|---|---|
| To receive the Audited Financial Statements for the financial year ended 31 March 2023 together with the Reports of the Directors and Auditors thereon | | | |
| **NO.** | **RESOLUTION** | **FOR** | **AGAINST** |
| | **ORDINARY BUSINESS** | | |
| 1. | To re-elect George Oommen, who retires pursuant to Clause 91 of the Company's Constitution. | | |
| 2. | To re-elect Dato' Wan Roshdi Wan Musa, who retires pursuant to Clause 91 of the Company's Constitution. | | |
| 3. | To approve the payment of Directors' Fees for the period from the 50th AGM until the next AGM in 2024. | | |
| 4. | To approve the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors up to an amount of RM787,229 from the conclusion of the 50th AGM until the conclusion of the next AGM in 2024. | | |
| 5. | To reappoint Messrs Ernst & Young PLT as Auditors of the Company for the financial year ending 31 March 2024 and to authorise the Directors to fix their remuneration. | | |
| | **SPECIAL BUSINESS** | | |
| 6. | To approve the Renewal of the Authority for Directors to Allot and Issue New Ordinary Shares in the Company in relation to the Dividend Reinvestment Plan. | | |

(Please indicate with a cross **(X)** in the space provided whether you wish your votes to be cast for or against the resolutions above. In the absence of specific instructions, your proxy will vote or abstain as he/they may think fit).

Dated .....................day of ........................... 2023

........................................................................................
Signature of Common Seal of Member

**NOTE:**

1. The Securities Commission Malaysia had on 7 April 2022, revised the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers ("SC's Guidance") which encourage listed issuers to conduct virtual general meetings. As such, the Board and Management have considered all available options and decided that the 50th AGM shall be conducted on fully virtual and entirely via remote participation and electronic voting facilities.
2. The main and only venue for the 50th AGM is the broadcast venue which is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 68 of the Constitution of the Company that requires the Chairman of the meeting to be present at the main venue of the meeting. **No shareholders/proxies/corporate representatives should be physically present nor admitted at the broadcast venue on the day of the 50th AGM**.
3. As the 50th AGM will be conducted fully virtual, a member who is not able to participate in the AGM is encouraged to appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the instrument appointing a proxy.
4. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 13 September 2023 shall be eligible to attend this 50th AGM or appoint a proxy(ies) to attend, speak and vote on his/her behalf.

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*Please affix Stamp*

**BOARDROOM SHARE REGISTRARS SDN. BHD.**
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

*FOLD HERE*

5. Every member including authorised nominees as defined under the Securities Industry (Central Depositories) Act, 1991 (Central Depositories Act) and authorised nominees defined under the Central Depositories Act which are exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act (Exempt Authorised Nominees) which hold ordinary shares in the Company for multiple beneficial owners in one securities account (Omnibus Account), is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote instead of him/her at the AGM and that such proxy need not be a member.
6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
7. The instrument appointing a proxy (ies) shall be in writing under the hand of the member or his/her attorney duly authorised in writing or, if the member is a Corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or in the case of a sole director, by that director in the presence of a witness who attests the signature or of its attorney duly authorised in writing.
8. The Form of Proxy duly completed must be deposited at the Share Registrar's office, Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the 50th AGM or any adjournment thereof. Alternatively, the Form of Proxy may also be deposited electronically through the Share Registrar's website, Boardroom Smart Investor Portal at https://investor.boardroomlimited.com/ not less than forty-eight (48) hours before the time of holding the 50th AGM.
9. If the Form of Proxy is submitted without any instruction as to how the proxy shall vote, the proxy will vote in his/her discretion. Any alteration to the Form of Proxy must be initialed. If no name is inserted in the space provided for the name of your proxy, the Chairman of the Meeting will act as your proxy.
10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice are to be voted on a poll.

**MNRB HOLDINGS BERHAD**
197201001795 (13487-A)

12th Floor, Bangunan Malaysian Re
No.17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur

**www.mnrb.com.my**