

Prudential BSN Takaful Berhad

(Company No. 200601020898 (740651-H))

(Incorporated in Malaysia)

**Financial statements for the financial year
ended 31 December 2022**

Prudential BSN Takaful Berhad

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Directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is principally engaged in the underwriting of family takaful business which includes investment-linked business and investment of funds. There has been no significant change in the principal activities during the financial year.

Ultimate holding company

The ultimate holding company is Bank Simpanan Nasional, a bank incorporated under the Bank Simpanan Nasional Act, 1974 and domiciled in Malaysia.

Results

Net profit for the year

RM'000
7,862

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Directors

Directors who served since the date of the last report are:

Rossana Annizah binti Ahmad Rashid (Chairman, Non-Independent Non-Executive Director)
Lilian Ng Lup-Yin (Non-Independent Executive Director)
Ezamshah bin Ismail (Independent Non-Executive Director)
Mazidah binti Abdul Malik (Independent Non-Executive Director)
Madzlan bin Mohamad Hussain (Independent Non-Executive Director)
Tunku Alizakri bin Raja Muhammad Alias (Independent Non-Executive Director)

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Statement of directors' responsibility

In preparing the financial statements, the Directors have ensured that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act 2016 in Malaysia with reasonable and prudent judgements and estimates.

It is the responsibility of the Directors to ensure that the financial reporting of the Company presents a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows of the Company for the financial year ended 31 December 2022.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors also have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Company manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 114.

Directors' interests in shares

None of the Directors holding office at the end of the financial year end had any beneficial interest in the ordinary shares of the Company during the financial year ended 31 December 2022, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefits (other than those shown below) by reason of a contract made by the Company with 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.

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Directors' benefits (continued)

The directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2022 are as follows (as presented in Note 24 of the financial statements):

Directors of the Company:	RM'000
Fees	850
Other remuneration	179
	<u>1,029</u>

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and takaful costs

During the financial year, the aggregate amount of Directors and Officers Liability takaful coverage effected for all directors of the Company is RM25,000,000. The total amount of contribution for the certificate is RM65,000.

Corporate governance

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

The Board also reviewed the manner in which the Bank Negara Malaysia (BNM) policy document on Corporate Governance BNM/RH/PD 029-9 (BNM CG) is applied in the Company, where applicable, as set out below.

Corporate governance (continued)

1. Board of Directors (the Board)

(a) Roles and Responsibilities of the Board

The role of the Board is to collectively be responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board also promote and protect the interests of PruBSN. The Board provides advice in fine-tuning corporate strategies and ensures the effective execution of these strategies.

The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company and for ensuring reasonable standards of fair dealing, without undue influence from any party. The Board must consider the short-term and long-term implications of the Board's decisions on the Company and its customers, officers and the general public and has established Board Committees which operate within clearly defined Terms of Reference (TOR) to assist in the discharge of these responsibilities.

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board.

Broadly, the responsibilities of the Board include, but are not limited to the following:

- (i) approving the risk tolerance and risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- (ii) overseeing the selection, performance, compensation and succession plans of the Chief Executive Officer (CEO) and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company;
- (iii) overseeing the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Company's operations;
- (iv) promoting, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (v) promoting, together with Senior Management, sustainability through appropriate environmental, social and governance considerations underpinning sustainability in the Company's business strategies which supports long-term value creation;

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

- (vi) overseeing all aspects of stress testing programme and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, critical operations and critical services when it comes under stress;
- (vii) overseeing, together with Senior Management, capital management to ensure that the Company maintains an adequate level and quality of capital for its risk profile and business plan;
- (viii) approving annual review of individual target capital level (ITCL) and capital management plan (CMP);
- (ix) approving all material related party transactions (excluding reinsurance cessions and retakaful cessions);
- (x) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company;
- (xi) promoting Shariah compliance in accordance with expectations set out in the BNM policy document on Shariah Governance Framework for Islamic Financial Institutions (SGF) and ensuring its integration with the Company's business and risk strategies;
- (xii) approving key policies that cover critical areas, including but not limited to policies regarding Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures within the Company, governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of Shariah governance within the Company;
- (xiii) appointing a person approved by BNM to be its appointed actuary and ensure that the duties of the appointed actuary can be discharged without any hindrance;
- (xiv) reviewing the reports submitted by the appointed actuary at a sufficiently granular level that enables the Board to form a well-founded view on the matters set out in BNM policy document on Appointed Actuary: Roles and Responsibilities;
- (xv) ensuring, together with the Senior Management, that product risks are well managed and that the needs and rights of consumers are appropriately addressed;
- (xvi) reviewing and approving the outsourcing risk management framework and outsourcing plan, detailing the financial institution's planned outsourcing arrangements for the following financial year before the plan is submitted to BNM;

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

- (xvii) overseeing the effective management of takaful operations that support the Company's business and risk strategies. In fulfilling this role, the Board must approve an operational framework governing the management of takaful operations that complies with Shariah and promotes sustainable takaful operations;
- (xviii) approving the proposed amount of profit distributable from participant investment fund (PIF) or surplus distributable from participant risk fund (PRF);
- (xix) overseeing the creation of PRF, the risk ceded to reinsurer / insurer and cross trade transactions;
- (xx) approving the proposed increase in the surplus payable to shareholders if it is beyond the 50% cap from PRF;
- (xxi) overseeing and approving the adequacy of IT and cybersecurity strategic plans covering a period of no less than 3 years;
- (xxii) overseeing and approving the effective implementation of a sound and robust Technology Risk Framework Management and Cyber Resilient Framework at least once every 3 years;
- (xxiii) overseeing, together with Senior Management, associated risks when engaging third party service providers for critical technology functions and systems;
- (xxiv) overseeing and approving cloud strategy and cloud operational management;
- (xxv) approving an effective internal control system for AML/CFT and maintain adequate oversight of the overall AML/CFT measures undertaken by the Company;
- (xxvi) ensuring that the conduct of the Company is consistent with the objectives and requirements set out in BNM policy document on Operating Cost Control for Life Insurance & Family Takaful Business;
- (xxvii) ensuring effective oversight of the Company's investment-linked business as part of the licensed person's overall strategy management and risk control framework;
- (xxviii) ensuring that its investment-linked takaful business is managed in compliance with Shariah principles and relevant regulatory requirements;
- (xxix) ensuring that the governance arrangements for the management of its bancatakaful business (including internal governance structures, policies, procedures and controls) are consistent with the requirements set out in the Corporate Governance Policy Document (CG PD), Fair Treatment of Financial Consumer Policy Document (FTFC PD) and Introduction of New Product for Insurers & Takaful Operators Policy Document (INP PD), respectively;

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Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

- (xxx) approving the Company's internal governance structures, policies, procedures and controls with respect to the formulation of the bancatakaful arrangement, the implementation and monitoring of bancatakaful arrangements, as well as the design and distribution of bancatakaful products;
- (xxxi) setting the tone-at-the-top on the importance of safeguarding customer information and the potential consequences on the Company in the event of a customer information breach. The Board shall also exercise its oversight function in all matters pertaining to the proper handling of customer information;
- (xxxii) approving the Company's written policies and ensure procedures and controls are in place to provide adequate protection over the confidentiality and security of customer information;
- (xxxiii) overseeing the implementation and maintenance of the policies and procedures, including reviewing reports relating to the management of customer information from Senior Management. The Board must be satisfied that the policies, procedures and controls are adequate and effective in safeguarding customer information;
- (xxxiv) requiring assurance from Senior Management annually that the controls in place to protect customer information are working effectively and the Company's outsourced service providers fulfil their obligations in accordance with the contract provisions on safeguarding customer information;
- (xxxv) establishing any other committee as it deems fit together with its terms of reference; and
- (xxxvi) undertaking various functions and responsibilities as specified in the guidelines and directives issued by the regulatory authority from time to time.

In discharging its responsibilities, the Board is equally responsible to ensure compliance with the Islamic Financial Services Act, 2013 and BNM Guidelines/Circulars and other directives. It has to comply with the tenets of corporate governance by adopting best practices as stipulated under Bank Negara Malaysia CG and SGF. Apart from its statutory responsibilities, the Board approves the Company's major funding decisions, outsourcing arrangements and related parties transactions.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

The Company has an organisational structure showing all reporting lines as well as documented job descriptions for all employees. The day-to-day business of the Company is managed by the CEO who is assisted by other members of Senior Management. Senior Management comprises of CEO and Senior Officers of the Company. Senior Officers refers to members of the Executive Committee (EXCO) other than the CEO, Appointed Actuary, Head of Actuarial Services and Head of Shariah. The CEO and other members of Senior Management are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit function to the Board Audit Committee (BAC), internal controls and risk management to the Board Risk Management Committee (BRMC), investment of takaful funds and investment oversight function to the Board Investment Committee (BIC). The Board Nominations Committee (BNC) is delegated the authority to, inter alia, establish a formal and transparent procedure for the appointment of Directors, Shariah Committee (SC), CEO, Senior Officers and Company Secretary, and to assess the effectiveness of the Board, SC, CEO, Senior Officers and Company Secretary. The Board Remuneration Committee (BRC) is delegated the authority to, inter alia, provide a formal and transparent procedure for developing a remuneration policy for Directors, SC, CEO, Senior Officers and Other Material Risk Taker (OMRT) and ensuring that their compensation is competitive and consistent with the takaful operator's culture, objectives and strategies. There are two (2) OMRT in the Company, namely the Head of New Business & Underwriting and Head of Underwriting Unit New Business Projects.

Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Chairman leads the Board and ensures its smooth and effective overall functioning.

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Company for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholders' value, providing management of the day-to-day operations of the Company and tracking compliance and business progress.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

Independent Non-Executive Directors (INEDs) are responsible for providing effective oversight, insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They are also to ensure effective 'check and balance' in the proceedings of the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The tenure limits for Independent Directors should generally not exceed nine (9) years except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Company. Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia (CCM) which is available at CCM's website at 'www.ssm.com.my'.

(b) Board Size and Composition

The Board comprised six (6) members including the Chairman as at the end of the financial year 2022. Given the size of the Company's operations, the Board size and composition remains adequate to provide for a diversity of views, facilitate effective decision-making, and appropriate balance of Executive, Non-Executive, Independent and Non-Independent directors.

All the Board members have complied with the requirement of serving on the Board of not more than 5 listed companies and 15 non-listed companies.

Any appointment of any Director shall be subject to compliance with any relevant laws, including Sections 63 and 64 of the IFSA and any guidelines issued by the BNM from time to time.

(c) Board Meetings

During the financial year ended 31 December 2022, the Board met eleven (11) times to decide on the objectives, strategies and any other specific matters which are reserved for its decision. All Directors have attended more than 75% of the total Board meetings held during the financial year and complied with the requirements on attendance at Board meetings as stipulated in the BNM CG. Details of the attendance of each Director are as follows:

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Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(c) Board Meetings (continued)

Director	Attendance
Rossana Annizah binti Ahmad Rashid	10/11
Lilian Ng Lup-Yin	11/11
Ezamshah bin Ismail	11/11
Mazidah binti Abdul Malik	11/11
Madzlan Bin Mohamad Hussain	11/11
Tunku Alizakri Bin Raja Muhammad Alias	11/11

At the Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meeting.

(d) Supply of Information

All Board members are supplied with information in a timely manner. The Company has implemented electronic Board reports. Board reports are circulated prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary and Internal Auditors. All Directors also have access to independent professional advice at the Company's expense.

(e) Directors' Profile

- (i) **ROSSANA ANNIZAH BINTI AHMAD RASHID**
Chairman, Non-Independent Non-Executive Director
Age 57, Female, Malaysian

Pn. Rossana was appointed as Non-Independent Non-Executive Director and Chairman of Prudential BSN Takaful Berhad effective from 11 December 2020. She is also a member of BRMC, BRC, BNC and BIC of the Company. She concurrently serves as Chairman of Bank Simpanan Nasional.

Pn. Rossana is a member of the Investment Panel and chairs the Investment Panel Risk Committee of the Employees Provident Fund (EPF) Malaysia. She is also the Country Chairman of Jardine Matheson Group in Malaysia, as well as Board member of Astro Malaysia Holdings Berhad and Telekom Malaysia Berhad.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(i) ROSSANA ANNIZAH BINTI AHMAD RASHID (continued)

She was a career professional having held several leadership positions in the telecommunications and banking sectors. She previously served in various Senior Management roles with TIME dotCom Berhad, Maxis Berhad and RHB Bank Berhad, after beginning her banking career with Citibank Malaysia. With more than 30 years of experience, she has gained broad experience in business strategy, understanding customers and competition, as well as identifying sustainable monetization models with a focus on revenue and cost management.

Pn. Rossana holds a Bachelor of Arts in Banking and Finance from Canberra College of Advanced Education (now known as the University of Canberra), Australia. She is a member of CPA Australia.

(ii) LILIAN NG LUP-YIN

Non-Independent Executive Director
Age 57, Female, Australian

Ms. Lilian Ng was appointed as Executive Director of the Company on 8 September 2017 and is a member of the Board Nominations Committee and Board Investment Committee of the Company.

Ms. Lilian is the Managing Director, Strategic Business Group and a member of the Group Executive Committee of Prudential plc. She is responsible for the insurance operations covering mainland China, Hong Kong and Taiwan; and the Group-wide customer, distribution and marketing strategy across the network of insurance businesses. She spearheads the Group-wide customer strategy and the corresponding strategic frameworks to deliver customer success and drive customer advocacy.

Lilian has been part of the Prudential family for over 20 years and have held a range of leadership roles, including Chief Financial Officer of Prudential Hong Kong, Chief Operating Officer, Insurance and Chief Executive, Insurance of Prudential Corporation Asia. She is a Fellow of the Institute of Actuaries of Australia and holds a Bachelor's Degree in Economics from Macquarie University.

(iii) EZAMSHAH BIN ISMAIL

Independent Non-Executive Director
Age 65, Male, Malaysian

En. Ezamshah is an actuarial trained professional with over 35 years of experience in the Insurance and Takaful industry, specializing in management and strategic development at a senior level.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(iii) EZAMSHAH BIN ISMAIL (continued)

He was a consultant with William M Mercer between the years of 1981 to 1992, including a two-year stint in New York. As the Country Head in Malaysia, he engineered a merger with another firm and now the Mercer organization is the largest in Malaysia providing Actuarial (insurance and benefit related) and HR consultancy.

Further on, he assisted the NSTP Group in acquiring a Life Insurance business in 1992 and subsequently became the company's CEO. Under his management, the company, AMAL Assurance Bhd had grown in both premiums and asset size. Subsequently, he joined the Hong Leong Group, oversaw the set-up Hong Leong Tokio Marine Takaful Berhad (HLMT) and became the CEO of HLMT from July 2006 to May 2008.

In his pursuit for educational excellence, he obtained various qualifications as follows:

- Masters in Actuarial Science (North Eastern University, Boston);
- Associate of the Society of Actuaries (USA);
- Fellow, Registered Financial Planner (FRFP, MFPC Malaysia);
- Certificate in Shariah Law from International Islamic University Malaysia (IIUM);
- Graduate of the International Centre for Leadership in Finance;
- Masters in Business Law (LLM) from IIUM; and
- Chartered Islamic Finance Professional (CIFP, CIIF).

He has also made several significant contributions to the industry. Whilst being the President of Life Insurance Association of Malaysia (LIAM), he contributed in the setting up of the first Life Reinsurance Company (MLRe) in Malaysia and was appointed as its first Chairman. Due to his profound credibility, he was also appointed to various high level portfolios, namely the President of the Malaysian Financial Planning Council (MFPC), Director of the Malaysian Insurance Institute (MII) and the Insurance Mediation Bureau (IMB), and Vice-President of Malaysian Takaful Association (MTA).

Currently he is the Senior Teaching Fellow in the areas of Takaful and Risk Management at the International Centre for Education in Islamic Finance (INCEIF), a university founded by Bank Negara Malaysia. He is also an adjunct lecturer at IBFIM, MFPC and ICLIF.

En. Ezamshah was appointed as the Independent Non-Executive Director of the Company on 1 August 2017. He is currently the Chairman of the BAC and BNC, and a member of BRMC, BRC and BIC of the Company. Besides his appointment in the Company, he also sits on the Board of Malaysian Insurance Institute (MII) and Harlow's MGI Sdn. Bhd. He is a Shariah Supervisory Board Member of RGA Global (Labuan) Retakaful Bhd. and Ayady Takaful of Maldives.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(iii) EZAMSHAH BIN ISMAIL (continued)

As a strong advocate of digital strategy and competent IT user, the use of technology has been a major foundation in the companies he pioneered and led. AMAL Assurance was the first insurance company to go wireless, introduced e-learning for its staff and uses biometrics recognition for its security. Back then in the late 1990s, he believed a company without an IT presence would not survive the future.

He has also been very much involved in introducing e-learning for online students in INCEIF. He encouraged the usage of interactive technology and the online platform, ensuring academical excellence and financial sustainability.

(iv) MAZIDAH BINTI ABDUL MALIK

Independent Non-Executive Director

Age 64, Female, Malaysian

Aged 64, Pn. Mazidah has served Bank Negara Malaysia for more than 30 years. She has extensive experience in trading and investing in global fixed income markets, having spent 16 years at the Investment and Treasury department of the central bank. The experience allowed her to develop her analytical and decision-making skills, competitive spirit and innate ability to see the world through a different lens, given the constant challenges and uncertainties of the financial markets.

She also served in the New York Representative Office of Bank Negara Malaysia during which she developed strong relationships with regulators and other foreign central bankers. Her stint as a trader at the Bank's London office provided opportunities for training in risk management specifically market, liquidity and credit risks in other European financial centres.

Apart from Treasury, she has also served other departments in the Bank with exposure in economics, risk management, international relations and technical assistance. Her career with the Bank included stints at the Labuan Offshore Financial Services Authority, where she was assigned to oversee communication and promotional activities to attract business opportunities in Labuan. She also served at the International Center for Education in Islamic Finance (INCEIF), focusing on business development opportunities particularly to the Middle Eastern countries.

In 2016, she was appointed as Independent Non-Executive Director of Alliance Investment Bank Berhad, a subsidiary of Alliance Bank Malaysia Berhad. She has also recently been appointed as Independent Non-Executive Director of OSK Ventures International Berhad on 5 December 2022. She has served as Independent Director of Bursa Malaysia Securities Berhad and Bursa Malaysia Securities Clearing Sdn Bhd from 2017 to March 2020.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(iv) MAZIDAH BINTI ABDUL MALIK (continued)

Appointed as Independent Non-Executive Director of the Company since 1 April 2017, she is currently the Chairman of the BRMC and BRC, and also a member of BAC, BNC and BIC of the Company.

Pn. Mazidah holds Bachelors in Business Administration from Ohio University in 1981 and Masters of Law Executive (Banking Law) from the International Islamic University in 2010. In addition, she also holds Diploma in Banking Studies from UITM in 1979, Diploma in French from Alliance Francaise in 1994 as well as Certificate in Islamic Financial Planning from Islamic Banking and Finance Institute Malaysia (IBFIM) in 2012.

(v) MADZLAN BIN MOHAMAD HUSSAIN

Independent Non-Executive Director
Age 49, Male, Malaysian

En. Madzlan was appointed as Independent Non-Executive Director of Prudential BSN Takaful Berhad effective from 1 July 2021. He is also a member of BAC and BRC of the Company.

He is a Malaysia-qualified lawyer specialising in Islamic Finance, capital markets practices, as well as corporate and debt restructurings. He has received recognitions as a leading Islamic finance lawyer in various publications including Legal 500, IFLR 1000, Chambers & Partners, Who's Who Legal, Expert Guide and Islamic Finance news throughout his years in legal practice.

Besides Malaysia, En. Madzlan is renown as an Islamic finance expert in Central Asia; whereby amongst his key engagements include developing Islamic banking law in Afghanistan and Tajikistan, Islamic finance Master Plan for Kazakhstan, and Halal Park in Kyrgyzstan.

Until recently (August 2022), he served as a member of Board of Trustee of Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM), a foundation for development of Islamic Economy in Malaysia, and chaired its Board Risk Management Committee. He still currently serves as Chairman of Board of Directors of YaPEIM Smart Venture Sdn Bhd, a fully-own subsidiary of YaPEIM, and was recently (November 2022) appointed as a member of the Board Nomination and Remuneration Committee at YaPEIM.

In between his stint in private legal practice, he has served the Islamic Financial Services Board (IFSB) for six years, with the responsibility of overseeing the development of IFSB prudential standards on corporate governance practices for all segments of Islamic financial services. He was also instrumental in spearheading the IFSB's initiatives in addressing legal issues in Islamic finance.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(v) MADZLAN BIN MOHAMAD HUSSAIN (continued)

Prior to his current role as Senior Partner of Messrs The Chambers of Shamsul Qamar, a boutique law firm, he was a partner and Head of Islamic Finance Practice Group in Messrs Zaid Ibrahim & Co., the largest law firm in Malaysia for eight years; and was also in legal practice for six years in the same firm prior to joining IFSB. Additionally, he has the experience of advising several insurers and Takaful operators in Malaysia since 1998.

En. Madzlan aged 49, holds a Master of Science (MSc) in Islamic Economics, Banking and Finance from Loughborough University, United Kingdom and a Bachelor of Laws (LL.B – Hons) from the International Islamic University Malaysia. He was a Chevening Visiting Fellow at the Oxford Centre for Islamic Studies, United Kingdom. He also attended Summer School at Sophia University in Japan, learning Japanese management and history; as well as participated in a Student Exchange Programme at University of Indonesia, where he gained exposures on the Indonesian legal system.

(vi) TUNKU ALIZAKRI BIN RAJA MUHAMMAD ALIAS

Independent Non-Executive Director

Age 52, Male, Malaysian

Tunku Alizakri was appointed as Independent Director of Prudential BSN Takaful Berhad effective from 1 July 2021. He is currently the Chairman of the BIC and a member of BRMC and BNC of the Company. He is also currently the Non-Executive Chairman of Malaysia Venture Capital Management Berhad and serves as a Non-Independent board member of IHH Healthcare Berhad and Sime Darby Plantation Berhad. In addition to that, he also serves as Independent Non-Executive Director of Bumi Armada Berhad, Malaysia Aviation Group Berhad, Malaysia Airlines Berhad and Petronas Dagangan Berhad. He has also recently been appointed trustee in Yayasan Amanah Mahkota and Yayasan Hasanah. Yayasan Amanah Mahkota is a foundation set up to look into the protection and rehabilitation of the nature based resources of the State of Pahang whereas Yayasan Hasanah is a leading foundation that promotes Malaysia's global sustainability through solutions that empower communities.

Tunku Alizakri had a distinguished record of professional excellence. He was the CEO of the Employees Provident Fund of Malaysia (EPF), the largest pension fund in Malaysia and the seventh largest global pension fund, a position he held from August 2018 to February 2021. Prior to that, he was the Deputy CEO (Strategy) of EPF from 2014 to 2018. He has over 20 years Senior Management and board level experience in fund management, financial industry, central banking, social security, healthcare, media and telecommunications, property development, plantations and oil & gas. He is a pioneer and leader in environmental, social and governance ("ESG") and sustainability and enterprise transformation and digitalisation.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(vi) TUNKU ALIZAKRI BIN RAJA MUHAMMAD ALIAS (continued)

Tunku Alizakri is very insightful, dynamic and has in depth knowledge in market segmentation including racial demographic, social demographic and age demographic as well as relevant customer touchpoints in Malaysia. He is also passionate in Shariah compliant products which resonates well with his passion in ESG practices and sustainability.

Tunku Alizakri holds a Master of Business Administration (MBA) from Cornell University (Johnson Graduate School of Management), Barrister at Law from The Honourable Society of Lincolns Inn and LLB (Hons) from King's College, University of London. Apart from that, he also received certificate on Circular Economy and Sustainability Strategies from University of Cambridge Judge Business School Executive Education, Leading Digital Business Transformation from IMD Business School and Applying Behavioral Insights to the Design of Public Policy from Harvard Kennedy School.

(f) Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is a member of FIDE Forum which entitles its Directors to benefits of membership as set out in FIDE Forum website 'www.fideforum.org' and an additional training budget is also allocated for Directors' training programme by the Company.

Directors are encouraged to attend training programme and constantly update their knowledge as well as enhance their skills. The Board is also updated on the latest updates/amendments on BNM Policy Documents and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

During the financial year ended 31 December 2022, the Company regularly organises in-house briefings conducted by internal and external professionals where the Directors were briefed and discussions held pertaining to the following matters:

In-house Training

- Board's Cybersecurity Awareness
- 2022 Market Updates and Ongoing Events Expected during the year
- MFRS 17 Training
- Valuation Liabilities
- Risk Based Capital Takaful Framework
- Shariah Research and Advisory

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(f) Directors' Training (continued)

FIDE

- Boardroom Effectiveness Evaluation
- Leadership Perspectives Forum on Board Effectiveness in conjunction with BEE Launch
- Can We Win the War Against Financial Crime?
- The Emerging Trends Threats and Risks to the Financial Services Industry - Managing Global Risk Investment and Payment

Others

- EPF Board & Leadership Talk Series 1: What Matters in Customer Experience Transformations
- EPF Board & Leadership Talk Series 1: Trust is the New Currency
- EPF Board & Leadership Talk Series 4: Power Up Your Culture
- KPMG Board Leadership Center Exclusive: Empowering and Rewarding the "Boardroom Brigade" - A Board Remuneration Masterclass
- BCM Awareness
- What Lies Ahead and Cold Hard Truth
- Malaysia Banking Conference 2022 - Banking on Change: Turning the ESG Momentum into Action
- Unlocking TM's Value
- Khazanah Megatrends Forum 2022: Development and its Complexities - Steering Our Way Through A Perfect Storm
- The Strategic Context of Astro
- Key Trends in Southeast Asia
- 5G Expo - Embracing 5G for a Connected World, Olympia London
- The Beauty of Islamic and Finance
- Speaker on "Legal & Regulatory Framework for Halal" at Seminar on Halal Development, jointly organised by Kyrgyz-Malaysia Corporation; CSQlaw and Centre for Halal Development, Kyrgyz Republic
- Speaker on "Sukuk Defaults - Legal Perspectives" at IiBF Islamic Banking & Finance Discussion Series, organised by Institute of Islamic Banking and Finance (IiBF), International Islamic University Malaysia (IIUM)
- Speaker on "Demystifying Kazakhstan as a Potential Export Market for Malaysian Companies" at Malaysia-Kazakhstan Entrepreneurs Network (MKEN), jointly organised by CSQ Network Sdn Bhd and Mond Academy Kazakhstan
- Panel Member at the Kuala Lumpur Islamic Finance Forum, organised by CERT
- Speaker at 'Project Tree' Masterclass on "How to Raise Capital", organised by Laughing Tree Sdn Bhd
- Steward Leadership: The 21st Century Model for Profitable Growth
- Singapore Healthcare and Laboratory Facilities
- SIDC's Sustainable and Responsible Investment (SRI) Virtual Conference 2022 : Preserving The Climate Through Sustainable Business and Living
- Onboarding Sessions with PDB Business Heads
- Malaysia Aviation Group Berhad Board Onboarding Session
- PETRONAS Dagangan Requirement Under Bank Negara Malaysia Guideless Applicable to PDB

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(f) Directors' Training (continued)

Others (continued)

- PETRONAS Board Conversation Series: A session with Dr. Fiona Wild, VP Sustainability & Climate Change at BHP
- Investing in Change - Achieving Sustainable Outcomes
- Sustainability and Its Impact on Organizations: What Directors Need to Know
- SIDC: The Ongoing Journey of Digital Transformation: Latest Trends and Insights
- Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment

2. Management accountability

Whilst the Board is responsible for approving the framework and policies which the Company shall be operating within, the Senior Management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

3. Corporate independence

All material related party transactions have been disclosed in the Note 28 to the financial statements.

4. Internal control framework

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

Under the internal control framework, the Company applies the three (3) lines of defence model, with the following groupings:

(a) First line of defence (Risk Taking and Management)

- (i) Takes and manages risk exposures in accordance with the risk appetite, mandate and limits set by the Board;
- (ii) Identifies and reports the risks being generated, and those that are emerging;
- (iii) Escalates breaches to the limits or violations of policies, mandates or instructions; and

Corporate governance (continued)**4. Internal control framework (continued)**

(a) First line of defence (Risk Taking and Management) (continued)

- (iv) Manages the business in accordance with the control framework laid out in the strategies, policies and risk parameters set by the Board, Board Risk Management Committee (BRMC), or sub committees thereof.

(b) Second line of defence (Risk Control and Oversight)

- (i) Assists the Board, BRMC, or sub committees thereof to formulate and implement the approved risk appetite and limit framework, risk management plans, risk policies, risk reporting and risk identification processes; and
- (ii) Reviews the risk taking activities of the first line of defence and where appropriate challenges the actions being taken to manage and control risks.

(c) Third line of defence (Independent Assurance)

- (i) Provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which covers risk management and compliance.

5. Board Audit Committee (BAC)

The BAC is chaired by an independent director and comprises:

No.	Name	Designation
1	Ezamshah bin Ismail	Chairman, Independent Non-Executive Director
2	Mazidah binti Abdul Malik	Member, Independent Non-Executive Director
3	Madzlan bin Mohamad Hussain	Member, Independent Non-Executive Director

Secretary

The Secretary to the BAC is the Company Secretary of the Company.

The Internal Audit (IA) function is performed by the affiliated company's Group-wide Internal Audit (GwIA) through an outsourcing arrangement and together with compliance function report to the Board through the BAC. The IA function carries out the audit of the internal control system on a continuous basis.

(a) Authority

The Committee is authorised by the Board to investigate any activity within its remit. In this regard, BAC shall have sufficient support and resources required to investigate as well as unlimited access to all information and documents relevant to its activities, to the internal and external auditor, employees, agents of the Company, contractor, statutory committee, which is necessary to satisfactorily discharge its duties. All employees of the Company are directed to cooperate with any request made by the BAC.

Corporate governance (continued)

5. Board Audit Committee (BAC) (continued)

(a) Authority (continued)

The BAC is empowered to receive updates on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by management or the internal audit function. Fraud and irregularities discovered by management shall also be referred to the internal audit function.

The BAC should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.

(b) Meetings

The BAC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review reports and financial statements are held prior to such reports and financial statements being presented to the Board for approval.

The quorum for BAC meetings should be at least two (2) members of the BAC. When the Chairman of the BAC is not available to attend a meeting, the remaining members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes. All decisions and/or approvals are to be made on majority basis, whilst adhering to the quorum for meeting. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote unless the Chairman, in his absolute discretion, decides to refer the matter to the Board.

The BAC Chairman may invite any individual, whether external or internal to attend all or part of any meeting(s) of the BAC in whatever capacity as the BAC deems appropriate to assist the BAC in the fulfilment of its duties. The GwIA Chief Internal Auditor, Head of Audit Malaysia, GwIA Asia or their nominated delegates, have a standing invitation to attend any meeting(s) of the BAC.

The external auditors are invited to attend the BAC meetings on a regular basis.

The BAC shall have separate session with the GwIA, Chief Compliance Officer and external auditors at least once a year without the presence of the Company's Senior Management.

The Company Secretary or any other person nominated by the BAC shall act as Secretary of the BAC and shall ensure that agenda and BAC papers are circulated in accordance with the terms of reference and the proceedings of the BAC are minuted, and that all BAC documents are retained in accordance with document retention policy.

Where the BAC is considering a matter in which a BAC member has an interest, such member shall abstain from reviewing and deliberating on the subject matter.

Corporate governance (continued)

5. Board Audit Committee (BAC) (continued)

(b) Meetings (continued)

After each meeting, the BAC shall report and update the Board on significant issues and concerns discussed during the BAC meetings and where appropriate, make the necessary recommendations to the Board.

(c) Roles and Responsibilities of the BAC

The functions of the BAC include:

- (i) supporting the Board in ensuring that there is a reliable and transparent financial reporting process within the Company;
- (ii) overseeing the effectiveness of the internal audit function of the Company;
- (iii) fostering a quality audit of the Company by exercising oversight over the External Auditors, in accordance with the expectations set out in the BNM policy document on External Auditors;
- (iv) reviewing and updating the Board on all related party transactions and submission of returns to BNM;
- (v) reviewing the accuracy and adequacy of the Chairman's Statement in the Directors' Report, Corporate Governance disclosures and Interim Financial Reports;
- (vi) reviewing the design and effectiveness of the Company's internal control framework;
- (vii) monitoring compliance with the Board's conflicts of interest policy;
- (viii) reviewing the Company's policies to ensure compliance with relevant regulations, industry codes monitoring the adequacy and effectiveness of the policies and procedures on an on-going basis;
- (ix) approving annual compliance plan for the Company;
- (x) reviewing and endorsing for the Board's approval procedures operated for handling allegations from whistleblowers and, reviewing whether proportionate and independent investigation of such matters has occurred;
- (xi) determining the deliverables of the Shariah audit function to ensure that the deliverables are consistent with accepted auditing standards upon consultation with the SC;
- (xii) deliberate the issues highlighted in the Shariah Review Reports duly approved by the SC and accordingly advise the Board on the required enhancements to be put in place upon consultation with the SC; and

Corporate governance (continued)**5. Board Audit Committee (BAC) (continued)****(c) Roles and Responsibilities of the BAC (continued)**

- (xiii) monitoring the integrity of the financial reporting, reviewing the application of and compliance with critical local accounting policies and practices, decisions regarding major areas of judgment, material changes to (or of material judgements to not change) assumptions underpinning the Company's material models or material changes to the models themselves, the extent to which the financial statements are effected by any unusual transactions in the year, significant adjustments resulting from the audit and the going concern assumption.

(d) Activities

The BAC carried out its duties in accordance with its TOR.

The BAC met nine (9) times during the financial year ended 31 December 2022 with timely notices of issues to be discussed. Details of the attendance of each BAC member are as follows:

Director	Attendance
Ezamshah bin Ismail	9/9
Mazidah binti Abdul Malik	9/9
Rossana Annizah binti Ahmad Rashid	9/9
Madzlan bin Mohamad Hussain	9/9

The BAC reviewed the reports and financial statements of the Company. The BAC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in the accounting and auditing issues. The BAC reviewed the external auditor's management letter and management's response, examined pertinent issues which had significant impact on the results of the Company and discussed applicable accounting and auditing standards. The BAC also reviewed the external auditors audit fees and assessed the objectivity and independence of the external auditors prior to the recommendation of their re-appointment as external auditors at the Company Annual General Meeting.

Additionally, the BAC reviewed the internal auditors' audit findings and recommendations as well as BNM's examination report on the Company. The BAC also reviewed its TOR, the compliance progress report, compliance risk management report, fraud investigation report, annual compliance plan, attestations to be provided to external parties, audited Takaful Operators Statistical Return and Risk Based Capital Target, outsourcing arrangements with related parties, various related party transactions carried out by the Company, MFRS/IFRS17 transition engagement by incoming external auditors for FYE 2023 and valuation assumptions and experience studies.

Corporate governance (continued)**5. Board Audit Committee (BAC) (continued)****(d) Activities (continued)**

The BAC had separate sessions with the external auditors and the internal auditor respectively without the presence of Senior Management where matters discussed include key reservations noted by the external auditors and internal auditor respectively during the course of their audit. The BAC together with the BRMC also had separate sessions with the CRO and Head of Compliance respectively without the presence of Senior Management where matters discussed include key reservations noted by them during the reporting period. The BAC together with the BRMC also set the objectives setting for the CRO who also double hats as Chief Compliance Officer of the Company.

6. Board Risk Management Committee (BRMC)

The BRMC is chaired by an independent director and comprises:

No.	Name	Designation
1	Mazidah binti Abdul Malik	Chairman, Independent Non-Executive Director
2	Ezamshah bin Ismail	Member, Independent Non-Executive Director
3	Rossana Annizah binti Ahmad Rashid	Member, Non-Independent Non-Executive
4	Tunku Alizakri bin Raja Muhammad Alias	Member, Independent Non-Executive Director

Secretary

The Secretary to the BRMC shall be any person nominated by the BRMC.

(a) Authority

The BRMC is authorised by the Board to oversee the Senior Management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

(b) Meetings

The BRMC meets at least four (4) times a year and may call for additional meeting(s) to examine and consider matters related to its responsibilities as and when necessary.

The quorum for BRMC meetings should be a majority of the members with the independent members forming the majority. When the Chairman of the BRMC Committee is not available to attend a meeting, the remaining two members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes. The CRO of the Company or designated alternates shall attend each meeting.

The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary.

Corporate governance (continued)

6. Board Risk Management Committee (BRMC) (continued)

(b) Meetings (continued)

The BRMC is supported by the Risk Management Committee (RMC) which acts as an advisory committee on key risk matters. BRMC is also supported by the Investment Committee (IC) which is a Board appointed committee and oversees investment risks.

The Risk Management Framework for the Company comprises three main components i.e. Strategy and Culture, Methods and Approaches, and Tools and Infrastructure. The Company's approach on Risk Governance is premised on the principle of 'three lines of defence' i.e. Risk Taking and Management, Risk Control and Oversight and Independent Assurance. The Risk Management Cycle is the ongoing process of identifying, assessing, controlling and reporting the risks to which the Company is exposed and includes assessing the solvency position of the Company. Risks have been classified into two main categories, which are made up of financial risk (including market risk, credit risk, liquidity risk and takaful risk) and non-financial risk (strategic risk, operational risk and business environment risk). Additionally, BRMC provides oversight over Shariah non-compliance risk arising from the failure to comply with Shariah rules and principles. The SC is the reference point in matters related to Shariah.

(c) Roles and Responsibilities of the BRMC

The functions of the BRMC include:

- (i) supporting the Board in meeting the expectations on risk management as set out in the BNM policy document on Risk Governance;
- (ii) supporting the Board in the implementation of a sound compensation system, examine whether incentives provided by the compensation system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Remuneration Committee;
- (iii) reviewing and recommending risk management strategies, risk appetite, risk policies and risk tolerance for approval by the Board;
- (iv) reviewing and assessing the adequacy of risk management policies for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (v) reviewing material risk exposures, including market, credit, takaful, operational, liquidity, economic, technology, and regulatory risks against the Company risk measurement methodologies and management actions to monitor and control such exposure;
- (vi) ensuring adequate infrastructure, resources and systems are in place for the control functions to carry out their responsibilities independently and effectively;
- (vii) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities including Shariah Risk Management;

Corporate governance (continued)

6. Board Risk Management Committee (BRMC) (continued)

(c) Roles and Responsibilities of the BRMC (continued)

- (viii) reviewing and affirming the Company's risk appetite regularly to ensure that it continues to be relevant and reflects any changes in the Company's capacity to take on risk, its inherent risk profile, as well as market and macroeconomic conditions;
- (ix) reviewing and recommending appropriate steps to ensure that business and operational decisions are aligned with the risk appetite;
- (x) reviewing and monitoring the effectiveness of the CRO and the Risk Management team;
- (xi) supporting the Board's oversight function over technology related matters;
- (xii) reviewing risks related to sustainability matters, including (but not limited to) social and environmental consequences arising from the Company's strategic decisions, business operations, conducts, and offerings;
- (xiii) receiving quarterly report from the Risk Management Committee (RMC) in relation to the findings of any reviews of the effectiveness of the internal controls and risk management systems and provide constructive challenge on the credibility and robustness of the framework and control;
- (xiv) overseeing Fair Treatment of Financial Consumer (FTFC) related matters;
- (xv) considering material findings from regulatory reviews and interactions with regulators which impact on risk governance or risk management processes, reviewing emerging regulations, regulatory risks and changes in the financial environment with an impact on the Company's risk profile, and advising the Board on the implementation of regulations and regulatory changes; and
- (xvi) overseeing investment related matters from enterprise risk perspective.

(d) Activities

The BRMC carried out its duties in accordance with its TOR.

The BRMC met seven (7) times during the financial year ended 31 December 2022 with timely notices of issues to be discussed. Details of the attendance of each BRMC member are as follows:

Director	Attendance
Mazidah binti Abdul Malik	7/7
Ezamshah bin Ismail	7/7
Rossana Annizah binti Ahmad Rashid	7/7
Tunku Alizakri bin Raja Muhammad Alias	7/7

Corporate governance (continued)

6. Board Risk Management Committee (BRMC) (continued)

(d) Activities (continued)

The BRMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management of information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Company. Additionally, the BRMC reviewed the risk updates provided by the CRO including updates on emerging risks such as the implications of Russia-Ukraine War and impact of overnight policy rate (OPR) on the Company as well as risk assessment on key projects undertaken by the Company. In performing its oversight function over technology related matters pursuant to BNM policy document on Risk Management in Technology, the BRMC reviewed the technology-related frameworks such as PruBSN Information, Technology Risk Management and Cyber Resilience Framework for subsequent approval of the Board. In addition, the BRMC also considered the quarterly updates on technology and information security risk by the Head of Technology Risk, quarterly updates on matters discussed at the IT Steering Committee and Compromise Assessment reporting. The BRMC also considered quarterly investment update, compliance status in respect of Strategic Asset Allocation (SAA) or Tactical Asset Allocation (TAA) including governance review of any SAA or TAA breach. Additionally, the BRMC also reviewed the Management's proposal for appointment of external fund manager and proposal on contingency funding plan to manage liquidity risk.

Other reviews by the BRMC include the review of its TOR, the TOR for new BIC TOR and revised TOR for Management Investment Committee, Risk Framework, Investment Risk Policy, Credit Risk Policy, the Management of Group Family Takaful Product Policy and Family Takaful Surplus and Investment Profit Management Policy of the Company. The BRMC together with BAC also had separate sessions with the CRO without the presence of Senior Management where matters discussed include reservations noted by CRO and areas for improvement in matters relating to risk and compliance. Effective this year, the BRMC also considered Sustainability Report from the Management.

7. Board Investment Committee (BIC)

The BIC is chaired by an independent director and comprises:

No.	Name	Designation
1	Tunku Alizakri bin Raja Muhammad Alias	Chairman, Independent Non-Executive Director
2	Mazidah binti Abdul Malik	Member, Independent Non-Executive Director
3	Ezamshah bin Ismail	Member, Independent Non-Executive Director
4	Rossana Annizah binti Ahmad Rashid	Member, Non-Independent Non-Executive
5	Lilian Ng Lup-Yin	Member, Non-Independent Executive Director

Corporate governance (continued)

7. Board Investment Committee (BIC) (continued)

Secretary

The Secretary to the BIC shall be any person nominated by the BIC.

(a) Authority

The BIC is authorised by the Board to carry out its duty in order to support the Board in meeting its accountability for the investment of takaful funds and to perform the investment oversight function on behalf of the Board.

(b) Meetings

The BIC meets at least four (4) times a year and may call for additional meeting(s) to examine and consider matters related to its responsibilities as and when necessary.

The quorum for BIC meetings should be at least two thirds of the members in attendance. When the Chairman of the BIC Committee is not available to attend a meeting, the remaining members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes.

The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend BIC meetings as necessary.

(c) Roles and Responsibilities of the BIC

The functions of the BIC include:

- (i) overseeing on Investment Policies and Strategies, Investment Risk Management Framework, Investment Performance and Operations & Controls and Environmental, Social and Governance (ESG) compliance in respect of responsible investing;
- (ii) approving the terms of reference of the Management Investment Committee; and
- (iii) approving the appointment of the Chief Investment Officer or equivalent.

(d) Activities

The BIC carried out its duties in accordance with its TOR.

The BIC met five (5) times during the financial year ended 31 December 2022 with timely notices of issues to be discussed. Details of the attendance of each BIC member are as follows:

Corporate governance (continued)**7. Board Investment Committee (BIC) (continued)****(d) Activities (continued)**

Director	Attendance
Tunku Alizakri bin Raja Muhammad Alias	5/5
Mazidah binti Abdul Malik	5/5
Ezamshah bin Ismail	5/5
Rossana Annizah Binti Ahmad Rashid	5/5
Lilian Ng Lup-Yin	5/5

The BIC reviewed the investment performance, operations & controls, investment policies and strategies, including approving investment funds' strategic asset allocation (SAA), tactical asset allocation (TAA) range, fund selection and personal dealing policies. It also reviewed the investment risk management framework, fund managers' investment performance including due diligence and the appointment of Chief Investment Officer.

8. Nominations and Remuneration Committees

The Board also takes responsibility in establishing the Nominations and Remuneration Committees. The Nominations and Remuneration Committees meet as and when required, at least once a year.

Board Nominations Committee (BNC)

No.	Name	Designation
1	Ezamshah bin Ismail	Chairman, Independent Non-Executive Director
2	Mazidah binti Abdul Malik	Member, Independent Non-Executive Director
3	Lilian Ng Lup-Yin	Member, Non-Independent Executive Director
4	Rossana Annizah binti Ahmad Rashid	Member, Non-Independent Non-Executive
5	Tunku Alizakri bin Raja Muhammad	Member, Independent Non-Executive Director

The Secretary to the BNC shall be any person nominated by the BNC.

(a) Authority

The BNC is authorised by the Board to establish a formal and transparent procedure for the appointment of Directors, SC Members, CEO, Senior Officers and Company Secretary, and to assess the effectiveness of Individual Directors, the Board as a whole (inclusive of its Committees) SC Members, CEO, Senior Officers and Company Secretary on an on-going basis.

(b) Meetings

Meetings shall normally be scheduled at least once a year to deliberate on the above responsibilities. The Chairman of the BNC may call for additional meeting(s) to examine and consider matters related to its responsibilities as the BNC deems necessary.

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(b) Meetings (continued)

The quorum for a meeting of the BNC shall be at least two (2) members. If the Chairman of the committee is not present and there is a quorum, the members present shall elect the Chairman who is an Independent Director. The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary.

(c) Roles and Responsibilities of the BNC

The function of the BNC include:

- (i) supporting the Board in carrying out its functions in the following matters concerning the Board (including Board Committees), SC Members, CEO, Senior Officers and Company Secretary's:
 - appointments and removals;
 - composition;
 - performance evaluation and development; and
 - fit and proper assessments
- (ii) establishing and regularly review succession plans for the Board, SC, Senior Management and Company Secretary as and when appropriate; and
- (iii) ensuring all the Directors receive appropriate continuous training.

(d) Activities

The BNC carried out its duties in accordance with its TOR.

The BNC met six (6) times during the financial year ended 31 December 2022 with timely notices of issues to be discussed. Details of the attendance of each BNC member are as follows:

Director	Attendance
Ezamshah bin Ismail	6/6
Mazidah binti Abdul Malik	6/6
Lilian Ng Lup-Yin	6/6
Rossana Annizah binti Ahmad Rashid	6/6
Tunku Alizakri bin Raja Muhammad Alias	6/6

The BNC reviewed the membership of the Board (including Board Committees), the professional qualifications and experience of the Directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent Directors and mix of skills are adequate. The BNC also reviewed the performance of the Board (including Board Committees) against its TOR and was satisfied that the Board (including Board Committees) was competent and effective in discharging its function.

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Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(d) Activities (continued)

In addition, the BNC reviewed the membership of the SC and performance assessment of SC and was satisfied that the SC composition in term of size, mix of skills and qualifications is adequate and in line with the expectation set out in the SGF.

The BNC also reviewed its TOR, the list of Key Responsible Person (KRP), Senior Officers and OMRT, the fit of proper declaration of the CEO, Senior Officers, and the Company Secretary as well as their performance evaluation including expatriates and knowledge transfer plan. KRP refers to Directors, members of SC, CEO and Senior Officers.

Additionally, the BNC also reviewed the appointments and re-appointments of SC members and Board members as well as the re-appointment of Appointed Actuary.

Board Remuneration Committee (BRC)

The BRC is chaired by an independent director and comprises:

No.	Name	Designation
1	Mazidah binti Abdul Malik	Chairman, Independent Non-Executive Director
2	Ezamshah bin Ismail	Member, Independent Non-Executive Director
3	Rossana Annizah binti Ahmad Rashid	Member, Non-Independent Non-Executive
4	Madzlan bin Mohamad Hussain	Member, Independent Non-Executive Director

Secretary

The Secretary to the BRC shall be any person nominated by the BRC.

(a) Authority

The BRC is authorised by the Board to provide a formal and transparent procedure for developing a remuneration policy for Directors, SC Members, CEO, Senior Officers and OMRT and ensuring that their compensation is competitive and consistent with the operator's culture, objectives and strategies.

(b) Meetings

Meetings shall normally be scheduled at least once a year to deliberate on the above responsibilities. The Chairman of the BRC may call for additional meeting(s) to examine and consider matters related to its responsibilities as the BRC deems necessary.

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(b) Meetings (continued)

The quorum for a meeting of the BRC shall be at least two (2) of the BRC members. If the Chairman of the committee is not present and there is a quorum, the members present shall elect the Chairman who is an Independent Director. The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary.

(c) Roles and Responsibilities of the BRC

The functions of the BRC include:

- (i) supporting the Board in actively overseeing the design and operation of the Company's remuneration system including recommend to the Board a framework and policies governing the remuneration and specific remuneration packages for Directors, SC Members, CEO, Senior Officers and OMRT.
- (ii) periodically reviewing (not less than once in every 3 years) the compensation of Directors, particularly on whether compensation remains appropriate to each Director's contribution, taking into account the demand, complexities and performance of the Company as well as the level of expertise, commitment and responsibilities undertaken.

(d) Design and Structure of the Remuneration System

The objective of the Company's remuneration system is to facilitate the achievement of business targets and objectives. Central to this is the need to ensure that the business can attract, retain and motivate the necessary caliber of talent required to fully deliver the business objectives based on good governance, guided by Bank Negara Malaysia's Policy Document on Corporate Governance, in compliance to all relevant Shariah principles and without exceeding the tolerated risk level.

The remuneration policy therefore is flexible enough to respond to employment market changes, enhances a team-based culture, supports the Company's values and delivers competitive reward which commensurate with the level of business, team and individual performances.

The foundation of this policy is "Pay for Performance" philosophy which encourages delivery of superior performance against clearly stated goals. It focuses not just on "What" to deliver but also "How" it is delivered, with reference to the Company's purpose to help people get the most out of life.

This policy is delivered via a Total Compensation approach to remuneration and rewards. There are several components in this including base salary and allowances, discretionary short-term and long-term incentives awards and various benefits and perquisites.

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(d) Design and Structure of the Remuneration System (continued)

Base salary and allowances commensurate with individual's role, responsibilities and experience, taking into consideration the market rates for similar roles in the industry where appropriate.

The short-term incentive is discretionary and determined annually, taking into account individual and company performance. The extent to which area of performance affects the overall incentive payout depends on the role and responsibilities of each employee, reflects the criticality of the individual's contribution, and combining both financial and non-financial metrics.

For longer-term performance, the Company's long-term incentive plan incentivises individual contribution to the business' long-term value and aim to reward past, present and anticipated business performance.

Under this plan, the discretionary awards are determined by way of benchmarking to share price of an affiliated company to create an alignment of interest with our shareholders and to promote a culture of ownership. Award under this plan will vest after a prescribed period based on continued employment in the Company throughout that period. The level of award for this plan is based on the criticality of the individual's position and the performance and contribution of the individual over the period of the award.

Benefits and perquisites are the other components created to support this remuneration system in the Company for the wellbeing of staff and their families. The range of benefits and perquisites offered, including health and wellness benefits, protection and security benefits, retirement benefits etc. are to cater for groups and individual circumstances and are competitive within the market.

(e) Activities

The BRC carried out its duties in accordance with its TOR.

The BRC met five (5) times during the financial year ended 31 December 2022 with timely notices of issues to be discussed. Details of the attendance of each BRC member are as follows:

Director	Attendance
Mazidah binti Abdul Malik	5/5
Ezamshah bin Ismail	5/5
Rossana Annizah binti Ahmad Rashid	5/5
Madzlan bin Mohamad Hussain	5/5

Corporate governance (continued)**8. Nominations and Remuneration Committees (continued)****(e) Activities (continued)**

The BRC reviewed the remuneration of the Non-Executive Director and Independent Director to ensure that it reflects the experience, level of responsibilities undertaken and linked their contribution to the effective functioning of the Board. The details of their remuneration are set out in Note 24.

The BRC also reviewed the remuneration of the Senior Management for their purpose of their appointment or re-appointment to ensure that it is align with the Company remuneration policy.

Additionally, the BRC also reviewed the remuneration of SC members to ensure that it reflects the level of responsibilities undertaken and linked their contribution to the effective functioning of the SC.

Other reviews conducted by the BRC include the review of its TOR, Annual Incentive Bonus and Compensation Framework of the Company, market benchmarking for employees and Senior Management Team and training budget for the Directors and SC members.

9. Public accountability

As custodian of public funds, the Company's dealing with the public are always conducted fairly with integrity, honesty and professionally.

10. Financial reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The BAC assists by scrutinising the information to be disclosed, to ensure accuracy, adequacy and completeness.

11. Shariah Committee (SC)

The Company is advised by SC. The SC members shall be appointed by the Board upon the recommendation of the NC. The number of SC members must not be less than five (5), the majority of whom must possess strong knowledge in Shariah and backed by the appropriate qualifications in that area.

The members of the SC are as follows:

No.	Name	Designation
1	Dr. Abdullaah bin Jalil	Chairman
2	Wan Rumaizi bin Wan Husin	Member
3	Dr. Ahmad Zaki bin Salleh	Member
4	Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	Member
5	Dr. Sa'id Adekunle Mikail	Member

Corporate governance (continued)

11. Shariah Committee (SC) (continued)

Secretary

The Secretary to the SC is Shariah Secretariat & Research, Shariah Department.

(a) Authority

Duties, Responsibilities and Accountability of the SC are as follows:

- (i) The SC is expected to understand in the course of discharging the duties and responsibilities as a SC member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them;
- (ii) The SC is expected to advise the Company's Board and provide input to the Company on Shariah matters in order for the Company to comply with Shariah principles at all times;
- (iii) The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure that the contents do not contain elements which are not in line with Shariah principles;
- (iv) The SC is expected to ensure that the products of the Company comply with Shariah principles, the SC must approve:
 - The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - The product manual, marketing advertisements, sale illustrations and brochures used to describe the product;
- (v) The SC is responsible to assess the work carried out by GwIA and Shariah review team for Shariah audit and Shariah reviews to ensure compliance with Shariah matters which form part of their assessment of Shariah compliance and assurance information in the financial statements;
- (vi) Legal counsel, auditor or consultant of the Company may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting part;
- (vii) The SC may advise the Company to consult the Shariah Advisory Council of BNM (SAC BNM) on Shariah matters that needed further and appropriate guidance. The SC is required to provide written Shariah opinions in circumstances where the Company make reference to SAC BNM for further deliberation, or where the Company submits applications to BNM for new product approval;

Corporate governance (continued)

11. Shariah Committee (SC) (continued)

(a) Authority (continued)

- (viii) With regards to the Shariah Review exercise, the SC shall have the authority to identify issues with reference to the Shariah Review Report and where appropriate, to propose corrective measures. Accordingly, the final determination and confirmation as to the compliance status (i.e. whether compliant to Shariah or otherwise) shall be within the power and authority of the SC; and
- (ix) For the zakat asnaf, we confirmed that the Company has distributed accordingly to the eligible recipients as guided by 'Zakat and Charity Manual of Prudential BSN Takaful Berhad' that was approved by the SC of the Company.

(b) Meetings

The minimum quorum of a SC meeting shall be attendance of majority members. Further, majority of attending members must be members with Shariah background. In the event that the Chairman of the SC is unable to attend the meeting, the members shall elect one (1) member among themselves to become the Alternate Chairman to preside over the meeting.

The SC met ten (10) times during the financial year ended 31 December 2022 with timely notices of issues to be discussed. Details of the attendance of each SC member are as follows:

Name	Attendance
Dr. Abdullaah bin Jalil (Chairman)	9/10
Wan Rumaizi bin Wan Husin	10/10
Dr. Ahmad Zaki bin Salleh	10/10
Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	10/10
Dr. Sa'id Adekunle Mikail	9/10

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Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

1. all known impaired debts have been written off and adequate provision made for doubtful debts;
2. any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise; and
3. there is adequate provision for incurred claims, including Incurred But Not Reported (IBNR) claims.

At the date of this report, the Directors are not aware of any circumstances:

1. that would render the amount written off for impaired debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent; or
2. that would render the value attributed to the current assets in the financial statements of the Company misleading; or
3. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
4. not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading; or
5. that would render the provision for incurred claims, including IBNR, inadequate to any substantial extent.

At the date of this report, there does not exist:

1. any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
2. any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due. For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from certificates of takaful underwritten in the ordinary course of business of the Company.

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Other statutory information (continued)

Before the income statement and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provisions for its takaful liabilities in accordance with the valuation methods specified in Part B of the Risk Based Capital Framework for Takaful Operators.

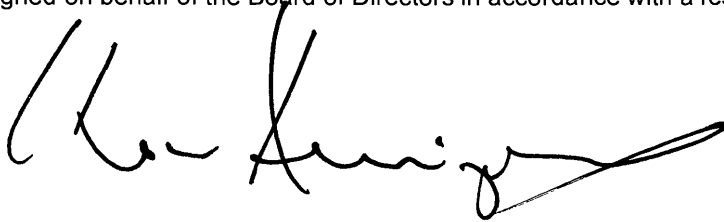
In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2022 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG PLT retire and are not seeking re-appointment. The Board shall appoint new auditors in due course, subsequent to having performed the assessments for the new auditors, as required under BNM's PD document for External Auditors.

The auditors' remuneration of the Company during the year is RM608,000.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Rossana Annizah binti Ahmad Rashid



.....
Lilian Ng Lup-Yin

Date: 15 February 2023

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Shariah Committee's Report

In the name of Allah, the most Beneficent, the most Merciful

In compliance with our letter of appointment, we are required to submit the following report:

In carrying out the roles and responsibilities of Prudential BSN Takaful Berhad's Shariah Committee as prescribed in the Shariah Governance Policy Document for Islamic Financial Institutions issued by Bank Negara Malaysia and in accordance with our letter of appointment, we hereby provide our report for the financial year ended 31 December 2022.

We, the members of the Prudential BSN Takaful Berhad's Shariah Committee are responsible to advise the Board in the oversight and management of Shariah matters in the business implementation. Among others, our main responsibility and accountability is to assist the Board in ensuring that Prudential BSN Takaful Berhad's business does not have elements/activities that contravene Shariah Principles. In undertaking our duties, we shall adhere to the decisions and views of the Shariah Advisory Council of the relevant Malaysian financial regulators.

We had ten (10) meetings during the financial year where we have reviewed products, transactions, services, processes and documents of Prudential BSN Takaful Berhad. In performing our roles and responsibilities, we have obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Prudential BSN Takaful Berhad has not violated Shariah principles and complied with the Shariah rulings, decisions and conditions made by us.

We have also assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each selected type of transaction, the relevant documentation and procedures adopted by Prudential BSN Takaful Berhad. The reports were deliberated in our meetings to confirm that Prudential BSN Takaful Berhad has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission (for Capital Market related matters) as well as our decisions.

The internal Shariah governance functions are augmented by written policies and procedures, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility and the communication of Shariah policies and guidelines of business conduct to all staff of the Company. We have always emphasised the importance of applying the highest standard of governance processes and have developed a system of monitoring and internal reporting which provides us the avenue to evaluate the level of prudence in accordance with the duties and responsibilities of the Company in the management of participants' takaful plans as well as all the relevant funds. Based on the proactive disclosures provided by the management which is facilitated by the Shariah risk function, appropriate preventive measures approved by the Shariah Committee and the Board of Directors have been put in place and reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting requirement prescribed by the Islamic Financial Services Act 2013.

Shariah Committee's Report (continued)

The success of the Shariah non-compliance reporting requirement greatly depends on the ability of the staff at all relevant levels to identify whether a matter or incident has any potential element of Shariah non-compliance and in view of this, various internal discussions and trainings have been carried out mainly with the Risk Coordinators and Compliance Champions from all the departments in Prudential BSN Takaful Berhad. Having clear classifications in the Shariah non-compliance reporting manual enables a more structured identification process. We have exercised the authority to make the final decision on each of the incidents reported to us. The Shariah non-compliant classifications as stated in the said policy are as follows:

- Classification 1: The existence of elements that lead to the construction of an invalid contract.

A contract may be lawful in its substance but unlawful in its attributes. The substance refers to the offer and acceptance, the subject matter and the contracting parties, while the attributes refer to the necessary conditions. An invalid contract may have the essential elements but does not fulfil all the necessary conditions. It violates the Shariah pillars, rules or conditions of a contract; for example, the subject matter is a prohibited item. These elements comprise the intrinsic elements which result in an invalid contract.

- Classification 2: The existence of any prohibited elements or any element that causes the contract to be defective even when the same does not lead to invalidity of the contract.

For example, a contract may also be invalidated by any extrinsic elements that involve gharar fahish (major uncertainty) or maysir (gambling) or other relevant factors. Excessive uncertainty which will lead to probable loss to one of the contracting parties, would come under this category.

- Classification 3: Breach of the takaful operator's fiduciary duty pertaining to its role as a wakil (manager) or a muḍarib (entrepreneur), as the case may be.

The duties and responsibilities of the Company as a takaful operator lie in its contractual obligations undertaken with the takaful participants to be the agent that manages the takaful fund as per the agreed terms. The Company shall exercise its liabilities and duties as explicitly stipulated in the contracts and in accordance with market practice. Therefore, it is crucial to understand the fiduciary duties pertaining to the roles of the takaful operator particularly towards its takaful participants.

- Classification 4: Failure to comply with the Shariah resolutions.

It is pertinent to ensure that the Shariah resolutions of the Shariah Committee and the resolutions of the Shariah Advisory Council of Bank Negara Malaysia and Shariah Advisory Council of Securities Commission of Malaysia are always complied with. The Company must properly demonstrate compliance with the conditions laid down in the resolutions of the Shariah Committee. The resolutions of Shariah Committee are incorporated in departmental Standard Operating Procedures; and when a resolution is breached, the incident shall also be classified as a breach of internal Shariah requirements or policies under Classification 6.

Shariah Committee's Report (continued)

- Classification 5: Failure to comply with regulatory provisions relating to Shariah such as Bank Negara Malaysia Policy Documents on Shariah contracts.

As a regulated entity, the takaful operator must comply with various regulatory provisions, and these regulatory provisions may not deal directly with Shariah concerns. Failure to adhere to general requirements would be addressed under Classification 3 above. Under this classification, the regulatory provisions in question are those that deal directly with Shariah, particularly the Bank Negara Malaysia Policy Documents on Shariah contracts.

- Classification 6: Failure to comply with internal Shariah requirements or policies.

In ensuring end-to-end Shariah compliance, comprehensive Shariah policies, both procedural and substantive, must be put in place. Needless to say, all relevant regulatory provisions and Shariah resolutions should be incorporated into internal policies to ensure that the requirements are well embedded in the day-to-day business implementation.

- Classification 7: Other governance or practical instances that may lead to Shariah non-compliance.

It is pertinent to ensure the provisions and requirements of the Shariah Governance Policy Document of Bank Negara Malaysia are being adhered to.

During the year 2022, numerous Shariah training and awareness programs were conducted for staff, agency forces as well as BancaTakaful intermediaries. All staff, including permanent and contract staff, are required to pass Fundamental of Shariah and Fundamental of Takaful. Both e-learning modules are mandatory online programs to keep the staff abreast with updated Shariah and Takaful knowledge. In addition, the Prudential BSN Takaful Berhad managerial level (Deputy Manager and above) are required to pass Intermediate of Shariah and Intermediate of Takaful. As part of the effort to further inculcate Shariah compliance and awareness culture, in addition to the formal training, the Shariah Department has organised more than forty (40) Islamic programs and activities for the staff throughout year 2022.

Prudential BSN Takaful Berhad agents are provided with a comprehensive learning and development program that covers Shariah and Takaful modules. Among the e-learning specific modules on Shariah and Takaful concept are Fundamental of Shariah, Fundamental of Takaful and Shariah and Takaful Refresher. Fundamental of Shariah and Fundamental of Takaful are mandatory e-learning modules to be completed by new Takaful agents which form part of the agents' mandatory twenty (20) hours Continuing Professional Development (CPD) completion as required by Malaysian Takaful Association (MTA). In addition, Shariah Tour Year 2022 program is designed to equip agency forces with knowledge related to Shariah and Takaful. This program is conducted within two (2) hours and the agents who attend the program shall be given two (2) MTA CPD hours. There were four (4) series of program conducted by guest speakers. Furthermore, we have started with a physical program for agency force titled Isu Kontemporari Dalam Takaful for Central Region. The objective of this program is to enhance agents' competency and knowledge to ensure they have balance skills between the business and Shariah input respectively. For BancaTakaful intermediaries and Islamic Financial Adviser Representative, there were six (6) virtual classroom sessions have been conducted by Shariah Department to equip them with sufficient understanding on Shariah and Takaful.

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Shariah Committee's Report (continued)

The management of Prudential BSN Takaful Berhad is responsible for ensuring that the Company conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Prudential BSN Takaful Berhad, and to report to you.

Based on the internal and external controls that have been put in place, in our opinion and to the best of our knowledge, Prudential BSN Takaful Berhad has complied with all relevant Shariah rules and principles.

We have also reviewed the financial statements of Prudential BSN Takaful Berhad and confirm that the financial statements are in compliance with the Shariah rules and principles.


Based on the above, in our opinion:

1. We are of the view that the contracts, transactions and dealings entered into by Prudential BSN Takaful Berhad during the financial year ended 31 December 2022, including the management of the Participant Risk Fund, that we have reviewed, are in compliance with Shariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been realised from sources or by means prohibited by Shariah principles have been considered for disposal to charitable causes; and
4. the calculation of zakat is in compliance with Shariah principles.


We, the members of the Shariah Committee of Prudential BSN Takaful Berhad, to the best of our knowledge and belief, do hereby confirm that the operations of Prudential BSN Takaful Berhad for the financial year ended 31 December 2022 have been conducted in conformity with Shariah principles.

On behalf of the Shariah Committee;

Chairman of the Shariah Committee:


.....
Dr. Abdullaah Bin Jalil

Member of Shariah Committee:


.....
En. Wan Rumaizi Bin Wan Husin

Kuala Lumpur,

Date: 15 February 2023

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Statements of financial position as at 31 December 2022

	Note	2022			2021		
		Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Assets							
Property and equipment	3	26,535	-	26,535	25,763	-	25,763
Right-of-use assets	4	64,435	-	64,435	70,832	-	70,832
Intangible assets	5	152,924	-	152,924	146,505	-	146,505
Investments	6	595,883	5,264,935	5,857,829	324,516	4,803,287	5,125,192
Deferred tax assets	16	25,230	10,307	35,537	62	-	62
Retakaful assets	7	-	81,311	81,311	-	54,630	54,630
Trade and other receivables	8	225,378	141,227	164,705	355,152	142,568	164,050
Current tax assets		14,244	-	14,244	831	-	831
Cash and cash equivalents	9	64,172	216,734	280,906	128,601	442,612	571,213
Total assets		1,168,801	5,714,514	6,678,426	1,052,262	5,443,097	6,159,078
Equity							
Capital	10	100,000	-	100,000	100,000	-	100,000
Reserves		396,238	-	396,238	388,376	-	388,376
Total equity		496,238	-	496,238	488,376	-	488,376
Liabilities							
Participants' fund	11	-	5,119,682	5,116,693	-	4,738,828	4,736,217
Takaful contract liabilities	12	-	274,498	274,498	-	264,763	264,763
Provision for wakalah fees	13	83,023	-	83,023	74,860	-	74,860
Takaful payables	14	1,039	40,651	41,690	-	12,477	12,477
Trade and other payables	15	519,074	275,726	592,900	415,015	406,940	488,285
Lease liabilities	4	69,427	-	69,427	74,011	-	74,011
Current tax liabilities		-	3,957	3,957	-	6,717	6,717
Deferred tax liabilities	16	-	-	-	-	13,372	13,372
Total liabilities		672,563	5,714,514	6,182,188	563,886	5,443,097	5,670,702
Total equity and liabilities		1,168,801	5,714,514	6,678,426	1,052,262	5,443,097	6,159,078

The accompanying notes on pages 47 to 113 form an integral part of the financial statements.

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Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022

	Note	2022			2021		
		Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Operating revenue	17	936,449	3,075,469	3,083,032	894,813	2,743,666	2,757,916
Wakalah fee income	18	928,886	-	-	880,563	-	-
Gross contributions	17	-	2,942,948	2,942,948	-	2,622,495	2,622,495
Contributions ceded to retakaful		-	(121,223)	(121,223)	-	(96,574)	(96,574)
Net earned contributions		-	2,821,725	2,821,725	-	2,525,921	2,525,921
Surplus sharing from family takaful fund	11(i)	103,000	-	-	143,500	-	-
Investment income	19	7,563	132,521	140,084	14,250	121,171	135,421
Realised (losses)/gains	20	(788)	(29,596)	(30,384)	1,027	3,790	4,817
Fair value gains/(losses)	21	1,484	(298,693)	(297,209)	(10,545)	(194,146)	(204,691)
Other operating income	22(i)	-	6,806	6,806	3,893	4,314	8,207
Other income		111,259	(188,962)	(180,703)	152,125	(64,871)	(56,246)
Gross benefits and claims paid		-	(1,297,539)	(1,297,539)	-	(829,497)	(829,497)
Claims ceded to retakaful companies		-	89,072	89,072	-	83,455	83,455
Gross change in contract liabilities		-	(9,735)	(9,735)	-	(146,302)	(146,302)
Change in contract liabilities ceded to retakaful companies		-	25,977	25,977	-	16,078	16,078
Net benefits and claims	23	-	(1,192,225)	(1,192,225)	-	(876,266)	(876,266)

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Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022 (continued)

	Note	2022			2021		
		Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Surplus sharing to takaful operator	11(i)	-	(103,000)	-	-	(143,500)	-
Wakalah fee expense	18	-	(928,886)	-	-	(880,563)	-
Management expenses	24	(461,965)	-	(461,965)	(449,011)	-	(449,011)
Commission expenses		(553,715)	-	(553,715)	(510,120)	-	(510,120)
Increase in provision for wakalah fees	13	(8,163)	-	(8,163)	(16,792)	-	(16,792)
Other operating expenses	22(ii)	(13,218)	(18,658)	(31,876)	(8,804)	(8,077)	(16,881)
Other expenses		(1,037,061)	(1,050,544)	(1,055,719)	(984,727)	(1,032,140)	(992,804)
Surplus attributable to participants before taxation		-	389,994	-	-	552,644	-
Tax expense attributable to participants	26	-	22,476	22,476	-	10,130	10,130
Surplus distributed to participants	11(i)	-	(32,319)	(32,319)	-	(19,435)	(19,435)
Net surplus attributable to participants		-	(380,151)	(380,151)	-	(543,339)	(543,339)
Profit before zakat and taxation		3,084	-	3,084	47,961	-	47,961
Zakat		(1,302)	-	(1,302)	(2,823)	-	(2,823)
Tax income/(expense)	26	6,080	-	6,080	(34,985)	-	(34,985)
Net profit for the year and total comprehensive income for the year		7,862	-	7,862	10,153	-	10,153

The accompanying notes on pages 47 to 113 form an integral part of the financial statements.

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Statement of changes in equity for the financial year ended 31 December 2022

	← Non-distributable →		← Distributable →			
	← Capital →		← Retained earnings →			
	Takaful operator Share capital (Note 10) RM'000	Revaluation reserves RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Total equity RM'000
At 1 January 2021	100,000	1,925	376,298	-	376,298	478,223
Net profit and total comprehensive income for the year	-	-	10,153	-	10,153	10,153
At 31 December 2021/1 January 2022	100,000	1,925	386,451	-	386,451	488,376
Net profit and total comprehensive income for the year	-	-	7,862	-	7,862	7,862
At 31 December 2022	100,000	1,925	394,313	-	394,313	496,238

The accompanying notes on pages 47 to 113 form an integral part of the financial statements.

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Statement of cash flows for the financial year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before zakat and taxation		3,084	47,961
Adjustments for:			
Depreciation on property and equipment	3	2,990	3,432
Depreciation of right-of-use assets	4	5,810	6,221
Intangible assets and property and equipment written off	3,5	1,306	110
Reversal of provisions of intangible assets and property and equipment	5	1,867	7,560
Amortisation of intangible assets	5	15,005	15,127
Investment income	19	(140,084)	(135,421)
Realised losses/(gains) on disposal of investments	20	30,384	(4,817)
Fair value losses on investments	21	297,209	204,691
Gains on disposal of property and equipment		(15)	-
Increase in provision for wakalah fee	13	8,163	16,792
Profit from operations before changes in operating asset and liabilities		225,719	161,656
Increase in family takaful fund		358,000	542,675
Increase in retakaful asset		(26,681)	(15,594)
Increase in trade and other receivables		(1,381)	(30,622)
Increase in takaful contract liabilities		9,735	146,302
Increase in takaful payables		29,213	1,964
Increase in trade and other payables		103,280	119,623
Tax refund		-	3,529
Tax paid		(36,464)	(52,228)
Net cash generated from operating activities		<u>661,421</u>	<u>877,305</u>
Cash flows from investing activities			
Investment in intangible assets	5	(23,690)	(38,349)
Investment income received		140,810	130,811
Proceeds from maturity/disposal of investments		64,291,165	46,714,943
Proceeds from disposal of property and equipment		67	90
Purchase of property and equipment	3	(4,721)	(749)
Purchase of investments	6(b)	(65,351,395)	(47,319,401)
Net cash used in investing activities		<u>(947,764)</u>	<u>(512,655)</u>
Cash flows from financing activities			
Payment of lease liabilities	4	(3,964)	(3,938)
Net cash used in financing activities		<u>(3,964)</u>	<u>(3,938)</u>
Net (decrease)/increase in cash and cash equivalents		(290,307)	360,712
Cash and cash equivalents at 1 January		571,213	210,501
Cash and cash equivalents at 31 December		<u>280,906</u>	<u>571,213</u>
Cash and cash equivalents comprise:			
Cash and bank balances			
- Takaful operator	9	64,172	128,601
- Family takaful fund	9	216,734	442,612
		<u>280,906</u>	<u>571,213</u>

The accompanying notes on pages 47 to 113 form an integral part of the financial statements.

Prudential BSN Takaful Berhad

(Company No. 200601020898 (740651-H))

(Incorporated in Malaysia)

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Notes to the financial statements

Prudential BSN Takaful Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company are as follows:

Level 13, Menara Prudential
Persiaran TRX Barat
55188 Tun Razak Exchange
Kuala Lumpur

The financial statements of the Company as at and for the financial year ended 31 December 2022 do not include other entities.

The Company is principally engaged in the underwriting of family takaful business which includes investment-linked business and investment of funds. There has been no significant change in the principal activities during the financial year.

The Company is a subsidiary of Bank Simpanan Nasional, a bank incorporated under the Bank Simpanan Nasional Act, 1974 and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 15 February 2023.

1. Basis of preparation

(a) Statement of compliance

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

A Takaful Operator is required to present consolidated financial statements for itself and the Takaful funds it manages and controls in accordance with the requirements of MFRS 10, Consolidated Financial Statements. The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator and Family Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family Takaful Fund include only the assets, liabilities, income and expenses of the Family Takaful Fund that is set up, managed and controlled by the Takaful Operator.

In preparing the Company-level financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the takaful funds. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and takaful funds are uniform for like transactions and events in similar circumstances.

Prudential BSN Takaful Berhad

(Company No. 200601020898 (740651-H))
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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- (i) MFRS 17, *Insurance Contracts*
- (ii) Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- (iii) Amendments to MFRS 101, *Presentation of Financial Statements - Disclosures of Accounting Policies*
- (vi) Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- (v) Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- (i) Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- (ii) Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- (i) Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations as follows:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

Prudential BSN Takaful Berhad

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments*

The Company has elected to apply the temporary exemption from MFRS 9 and extension of temporary exemption that permits, but does not require, the Company to apply MFRS 139, *Financial Instruments: Recognition and Measurement* rather than MFRS 9 for its annual periods beginning before 1 January 2023. A takaful operator may apply the temporary exemption from MFRS 9 if:

- (i) it has not previously applied any version of MFRS 9 before; and
- (ii) its activities are predominantly connected with takaful on its annual reporting date that immediately precedes 1 April 2016.

The Company has not adopted MFRS 9 as of the date of this financial statements. The Company has performed an assessment and concluded that it qualifies for the temporary exemption from MFRS 9 under the Amendments to MFRS 4, as the majority of its liabilities are primarily related to the underwriting of the family takaful business. The percentage of the total carrying amount of the Company's liabilities connected with takaful relative to the total carrying amount of its liabilities is approximately 90%.

Based on the initial assessment undertaken by the Company, the following are the designation and valuation of the financial assets if MFRS 9 was adopted at the end of the reporting period. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change.

For the financial assets designated at fair value through profit or loss ("FVTPL"), the changes in fair value during the year is disclosed in Note 6(b) of the financial statements. As for the financial assets designated at amortised cost ("AC"), the carrying value approximates its fair value.

	Classification under		Carrying	Carrying	Changes in
	MFRS 139	MFRS 9	amounts	amounts	carrying
			1.1.2022	31.12.2021	amounts
			RM'000	RM'000	RM'000
Investments					
Malaysian government investment issue	Held for Trading (HFT)	FVTPL	184,972	184,972	-
Islamic debt securities	HFT	FVTPL	1,626,173	1,626,173	-
Equity securities	HFT	FVTPL	2,163,132	2,163,132	-
Collective investment schemes	HFT	FVTPL	280,785	280,785	-
Deposits with financial institutions	AC	AC	870,130	870,130	-
Retakaful receivables	AC	AC	54,630	54,630	-
Trade and other receivables	AC	AC	164,050	164,050	-
Cash and cash equivalents	AC	AC	571,213	571,213	-
Total financial assets			5,915,085	5,915,085	-

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts*

MFRS 17 '*Insurance Contracts*' became effective on 1 January 2023 and replaces the MFRS 4, '*Insurance Contracts*'. MFRS 4 permitted reporting entity to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2012. MFRS 17 replaced this with a new measurement model that significantly changes the way insurance and reinsurance contracts are accounted for, albeit the scope of MFRS 17 and MFRS 4 is very similar in that it applies to insurance contracts and reinsurance contracts.

The definition of an insurance contract in MFRS 17 is also unchanged from MFRS 4. Takaful contracts issued by the Company meets the definition of insurance contracts in MFRS 17 as there is transfer of significant insurance risk from the participants to the takaful funds.

Therefore, nearly all of the Company's takaful contracts accounted under MFRS 4 will be accounted for under MFRS 17. The transition date of the Company for the application of MFRS 17 was 1 January 2022. The Company has adopted MFRS 17 on its mandatory effective date on 1 January 2023, alongside the adoption of MFRS 9.

MFRS 17 implementation programme

The requirements of the new standard are complex and requires a fundamental change to accounting, presentation and disclosures for insurance contracts as well as the application of significant judgement and new estimation techniques. The implementation of this standard has involved significant enhancements to IT, actuarial and finance systems of the Company. The Company has been implementing MFRS 17 and MFRS 9 through an affiliated company's regional-wide implementation programme.

A Project Steering Committee, chaired by the Chief Financial Officer, provides oversight and strategic direction to the Company's implementation programme. Regular updates on progress are provided to the Board of Directors and, during 2022, members of the Committee, as well as the Board of Directors, received training on the new requirements. During 2022, the systems implementation was completed and the draft transition balance sheet at 1 January 2022 was produced. The production of 2022 comparatives is scheduled to be completed in the first half of 2023.

Overview of MFRS 17

MFRS 17 requires liabilities for insurance contracts to be measured as the total of:

- fulfilment cash flows, comprising the best estimate of the present value of future cash flows within the contract boundary that are expected to arise and an explicit risk adjustment for non-financial risk; and

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, Insurance Contracts (continued)

Overview of MFRS 17 (continued)

- a contractual service margin (CSM) that is representing the deferral of any day-one gains for Takaful Operator arising on initial recognition.

Losses at inception of the contract are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and year of issuance, with further divisions for contracts that are managed separately.

The establishment of CSM on the Company's in-force business and transition approach

Transition refers to the determination of the opening balance sheet for the first year of comparative information presented under MFRS 17 (i.e. at 1 January 2022). The future cash flows and risk adjustment are measured on the basis guided by MFRS 17 for subsequent valuations. The key component of transition is therefore the determination of the CSM.

The standard requires MFRS 17 to be applied retrospectively (the "full retrospective approach") unless impracticable. If a full retrospective approach is impracticable there is an option to choose either modified retrospective approach or a fair value approach. If reasonable and supportable information necessary to apply the modified retrospective approach is not available, the fair value approach must be applied. Majority of the groups of takaful contracts of the Company based on CSM at transition under the full retrospective approach. The fair value approach was applied on the takaful contracts incepted for financial year 2006-2019 and retakaful contracts incepted for financial year 2006-2019 where the business size was insignificant and historical models were not available.

Profit for takaful contracts under MFRS 17

MFRS 17 introduces a new measure of takaful revenue, based on the delivery of services to certificate holders and excluding any contributions related to the investment elements of certificates, which will be significantly different from existing takaful revenue measures, currently reported in the income statement.

Profit for takaful contracts under MFRS 17 is represented by the recognition of the services provided to certificate holders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit. CSM is released in line with coverage units that are a measure of the quantity of benefits provided under a contract and the period over which coverage is provided.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

Overview of MFRS 17 (continued)

The CSM is released as profit over the coverage period of the takaful contract, reflecting the delivery of services to the certificate holder. Under MFRS 17, takaful contracts are measured under either the General Measurement Model (GMM), the Variable Fee Approach (VFA) for contracts with direct participating features or the simplified Premium Allocation Approach (PAA) which is only available for contract that meet the PAA eligibility criteria. The Company predominantly uses the VFA and GMM, depending on the specific characteristics of the takaful contracts. The Company makes very limited use of the PAA for some small portfolios of short duration contracts. Retakaful contracts held are measured under the GMM.

Majority of the CSM at transition was calculated under the GMM.

For contracts accounted for under the VFA (where a substantial share of the fair value of the related investments and other underlying items is paid to certificate holders), the CSM reflects the variable fee to shareholders and it is adjusted to reflect the effect of economic and non-economic experience variances and assumptions changes relating to future services. For contracts accounted for under GMM, the CSM is measured using the locked-in discount rate and only adjusted to reflect the effect of non-economic experience variances and assumptions changes relating to future services.

MFRS 17 also has impact to the presentation and disclosure requirements. Specifically for takaful operators, MASB's Issues Bulletin 2 on Columnar Presentation of Takaful Funds in Takaful Entity Financial Statements provided clarity on columnar presentation and providing options on columns to be presented as supplementary information with the requirements of BNM and Islamic Financial Services Act 2013 in Malaysia to segregate assets, liabilities, income and expenses of Family Takaful funds from its own.

The Company will be presenting 2 columns in the statement of financial position and statement of profit or loss and other comprehensive income, which are Family Takaful Fund and the Company respectively as its own reporting entity.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Family Takaful Fund is regarded as supplementary financial information in which Family Takaful Fund would apply MFRS 17 in view of transfer of risk between individual participants and family takaful fund under takaful contracts. There will be no contractual service margin (CSM) in the family takaful fund on the basis of surplus due to participant is fully shared between participant where Takaful Operator's share of surplus is regarded as expense in Family Takaful Fund.

At the Company level, there would be a CSM because the Company as a whole would generate profit from conducting the takaful business.

MFRS 17 results is subject to developments in market practice or additional interpretative guidance and therefore the impacts discussed above are subject to change prior to finalisation of the Company's financial statements for the year ending 31 December 2023.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

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

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

- (i) Note 2(i) - Impairment
- (ii) Note 2(m) - Provision for wakalah fee/ISA and PUA financing
- (iii) Note 2(s)(iii) and (iv) - Provision for outstanding claims and actuarial reserves

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

2. Significant accounting policies (continued)

(a) Property and equipment (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within “other operating income” and “other operating expenses” respectively in profit or loss.

The Company adopted the revaluation model for property comprising land and building. The Company revalues its property comprising land and building every three years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

The revalued amounts of property are determined by using the Comparison Method performed by an external valuer. The Comparison Method entails comparing the property with comparable property which have been sold/let or are being offered for sale/to let and making adjustments for factors which affect value such as location and accessibility, market conditions, size and restriction if any and other relevant characteristics.

Valuation of property involves a degree of judgement before arriving at the respective property's revalued amount.

As such, the revalued amount of the property may be different from its actual market price. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)**(a) Property and equipment (continued)****(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Property and equipment that are work-in-progress are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Building	50 years
Renovation	10 years or over lease period
Motor vehicles	5 years
Computer equipment	3 years
Office equipment, furniture and fittings	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(b) Intangible assets**(i) Other intangible assets**

Intangible assets that are acquired or software developed other than purchased software as disclosed in Note 2(a)(i), which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on cost of an assets less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and previous periods are as follows:

Software development cost and computer software	3 - 10 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(c) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (a) The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (b) The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) The customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset except for land is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

For the right-of-use assets related to leasehold land, the Company has adopted the revaluation model for property as declared in Note 2(a)(i).

2. Significant accounting policies (continued)**(c) Leases (continued)****(ii) Recognition and initial measurement (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Company entities' incremental profit rate. Generally, the Company use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to exercise; and
- Penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments, if any, are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Significant accounting policies (continued)**(c) Leases (continued)****(iii) Subsequent measurement (continued)**

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(d) Financial instruments**(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets**• *Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

- ***Financial assets at fair value through profit or loss (continued)***

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

- ***Receivables, excluding takaful receivables***

Receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as receivables are subsequently measured at amortised cost using the effective profit method.

- ***Takaful receivables***

Takaful receivables are subsequently measured at amortised cost using the effective profit method.

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(d)(iv), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

2. Significant accounting policies (continued)**(d) Financial instruments (continued)****(iii) Regular way purchase or sale of financial assets (continued)**

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all of the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligations specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Retakaful

The Family Takaful funds ("the fund") cede takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's policies and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the funds may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the funds will receive from the retakaful operator. The allowance for impairment loss is accounted in profit or loss.

2. Significant accounting policies (continued)

(e) Retakaful (continued)

Gains or losses on retakaful transaction are recognised in profit or loss immediately at the date of transaction and are not amortised.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the ceded retakaful business. Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

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

(f) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2. Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments. It excludes deposits which are held for investment purpose.

(h) Qard receivable

Any deficits arising in the Takaful funds are made good via a benevolent loan, or Qard, granted by the takaful operator to the Takaful funds. The Qard receivable is stated at cost less any allowance for impairment loss. The Qard shall be repaid from future surpluses of the Takaful funds.

Qard receivable is eliminated in preparing the Company's statement of financial position. There were no outstanding Qard as at 31 December 2022 and 2021.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

Allowance for impairment loss in respect of receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account.

For takaful receivables, an objective evidence of impairment is deemed to exist where the principal or interest or both for takaful receivables is past due for more than 90 days or 3 months, as prescribed in the Policy Document.

For trade receivables in relation to financing for ISA and PUA (Note 2(m)(ii)) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the expected collectability of the receivable. Allowance for impairment loss is recognised on trade receivables that are related to financing of lapsed certificates which are within revival period. Allowance for impairment loss on the trade receivables that are related to in-force certificates is determined by using an estimated lapse ratio and is included within the provision for wakalah fee as disclosed in Note 2(m)(ii). Trade receivables are written off when related certificates are past the revival period.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for deferred tax asset and Qard receivable) are reviewed at the end of each reporting period 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 cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating 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 reporting period for any indications that the loss has decreased or no longer exists. 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 profit or loss in the financial year in which the reversals are recognised.

(iii) Qard receivable

The Qard receivable is tested for impairment at each reporting period via an assessment of the estimated surpluses or cash flows from the Takaful funds to determine whether there is objective evidence of impairment. If the Qard receivable is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised in profit or loss, is recognised in profit or loss.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(iii) Qard receivable (continued)

Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard receivable is no longer impaired.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Distributions of assets to owners of the Company

The Company measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(l) Employee benefits (continued)

(ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Long-term employee benefits

Long-term employee benefit obligations in respect of long-term incentives given to staff are based on certain criteria set by the Company.

A liability is recognised for the amount expected to be paid under long-term benefit plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based plan

A cash-settled share-based payment to participating employees, in which the settlement value is based on the higher of share price of an affiliated company or value of a comparable Shariah compliant equity fund, are measured on a fair-value basis.

A liability is recognised for the amount expected to be paid based on the fair value of the equity fund or the investment instrument, over the period that the employees become entitled to the reward.

(m) Provision for wakalah fee/ISA and PUA financing

(i) Provision for wakalah fee

A provision is made to record certain future expected losses, if any, to the takaful operator arising from servicing of individual certificate contracts with participants.

Provision is estimated based on discounted future net cash flows to the takaful operator using an actuarial method used for non-unit reserving called sterling reserves methodology.

The assumptions used are consistent with that used in the valuation of tabarru' fund and the takaful operator expense assumptions are based on the Company's experience study.

2. Significant accounting policies (continued)

(m) Provision for wakalah fee/ISA and PUA financing (continued)

(ii) Financing for Individual Special Account (ISA) and Protection Unit Account (PUA)

The Company provides financing (trade receivables as disclosed in Note 8) to participants to settle outstanding tabarru' charges to the family takaful fund for amounts which are in shortfall in each participant's ISA and PUA fund. Commencing in 2021, the outstanding tabarru charges will be financed by tabarru' fund as tabarru receivables in the family takaful fund. These trade receivables are subject to impairment assessment as described in Note 2(i)(i).

(n) Fair value measurements

Fair value of an asset or liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, the most advantageous market.

For non-financial asset, the fair value measurement 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.

(o) Takaful, trade and other payables

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

(p) Wakalah fee, surplus transfer, management expenses and commission expenses

In accordance with the principles of Wakalah, as approved by the Company's SC, and agreed between the participants and the Company, wakalah fee comprises the following:

- (i) upfront wakalah fee;
- (ii) risk management wakalah fee;
- (iii) service charge for investment linked products/certificate fee for non investment linked products;
- (iv) investment management fee;
- (v) top up fee; and
- (vi) switching fee.

The upfront wakalah fee is charged at the pre-agreed percentage and deducted from the gross contribution received for the services rendered by takaful operator in managing the Takaful funds. This fee is used to cover the management expenses and commission expenses incurred on behalf of the family takaful funds.

2. Significant accounting policies (continued)

(p) Wakalah fee, surplus transfer, management expenses and commission expenses (continued)

Risk management wakalah fee is accrued by the takaful operator as a proportion of tabarru' charges payable to the tabarru' fund by participants for certificates underwritten prior to the implementation of Bank Negara Malaysia's Policy Document on Takaful Operating Framework (TOF) in 2012. Risk management wakalah fee is incurred by the tabarru' fund as a recognition of work undertaken by the takaful operator to administer the tabarru' fund on behalf of participants. This fee can be used to cover any deficit position in tabarru' fund and shall only be recognised by the takaful operator subsequent to the recommendation by the Appointed Actuary and approval by the SC and the Board of Directors.

Service charge/certificate fee is credited to the takaful operator by unit deduction for unit-linked certificates, and contribution deduction from participant's account (Individual Saving Account) for non-linked certificates. Service charge is accrued by the takaful operator to cover certificate servicing expenses.

Investment management fee is credited to the takaful operator at agreed rate on the daily net asset value for unit-linked certificates. For non-linked certificates and tabarru' funds, an agreed percentage of fund-under-management is used to compute the relevant investment management fee to the respective participant's account (ISA) and tabarru' fund. The investment management fee is accrued by the takaful operator to cover investment management expenses incurred on behalf of the different funds.

Collectively, wakalah fee is payable to takaful operator for various services rendered to participants by the takaful operator.

The projected takaful operator's share of underwriting profit and investment surplus have been considered as income to operator to support for future management expenses when setting up wakalah fee provision.

For certificates underwritten after the implementation of TOF, the takaful operator shall be entitled to surplus transfer from the corresponding tabarru' fund and this shall be limited to a maximum of 50 percent of the distributable surplus of each corresponding fund. This shall only be recognised as surplus by the takaful operator subsequent to the recommendation by the Appointed Actuary and approval by the SC and the Board of Directors.

Management expenses are costs incurred in managing and administering the funds on behalf of the family takaful fund.

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates are recognised by the takaful operator as incurred and properly allocated to the periods in which it is probable they give rise to income.

(q) Other revenue recognition

Investment income is recognised on a time proportion basis that takes into account the effective profit rate of the asset.

2. Significant accounting policies (continued)

(r) Zakat

This represents tithes payable by the Company to comply with the Principles of Shariah and as approved by the SC of the Company. Total zakat payable on the Shareholders' Fund is calculated based on the Adjusted Growth Method. The Company has fulfilled the obligation to pay zakat for the financial year 2022 on its business amounting in RM1,301,590.

(s) Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes actuarial liabilities, seed money (where applicable) and participants' account.

The participants' account consists of the accumulated surplus attributable to the participants determined by an annual actuarial valuation of the family takaful fund's unallocated surplus by a qualified actuary appointed by the Company, net asset value attributable to unitholders and other reserves, as applicable. Any actuarial deficit in the tabarru' fund will be made good by the takaful operator via a benevolent loan or Qard. Surplus distributable to participants is determined after deducting claims/benefits paid and payable, retakaful, provisions, reserves, capital requirement as well as repayment of Qard, if any, and distributed in accordance with the terms and conditions prescribed by the SC of the Company.

(i) Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Included in contribution is accrued tabarru receivable in relation to outstanding tabarru charges financed by tabarru fund as mentioned in note 2(m)(ii).

- **Investment-linked business**

First contribution income is recognised on the assumption of risk and subsequent contributions are recognised on a cash basis. Subsequent risk is assumed based on sufficiency of units of the participant.

- **Non-linked business**

First contribution income is recognised from inception date and subsequent contributions are recognised on a cash basis. At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

(ii) Investment-linked business

Investments of investment-linked business are stated at closing market prices. Any increase or decrease in value of these investments is taken into profit or loss of the investment-linked business.

2. Significant accounting policies (continued)

(s) Family takaful fund (continued)

(iii) Provision for outstanding claims

A liability for outstanding claims is recognised when a claimable event occurs and/or the Company is notified.

Claims and provisions for claims arising from family takaful certificates, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under family takaful certificates are recognised as follows:

- maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates.
- death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered.
- for individual family takaful business, provision for mortality IBNR claims is made at statement of financial position date. The ultimate cost of outstanding claims is estimated by using Chain Ladder method, a standard actuarial claims projection technique and is subsequently signed-off by a qualified actuary of the Company. Similarly, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience.

These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

(iv) Actuarial reserves

The actuarial liability for the investment-linked products and non-investment-linked products is calculated using the discounted cash flow method to ensure that any future negative cash flow resulting from insufficient tabarru' charges to meet expected benefit outgo are eliminated.

Family takaful liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future benefits less the present value of future gross tabarru' contributions arising from the certificate discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of liabilities. At product level, for Family Takaful Fund with liability of surrender benefit, the higher of surrender benefit inforce and liabilities are kept as actuarial reserves.

2. Significant accounting policies (continued)

(s) Family takaful fund (continued)

(iv) Actuarial reserves (continued)

In the case of a family certificate where a part of, or the whole of the contributions are accumulated in a fund, the accumulated amount, 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.

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

The liability is derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made on whether the recognised family takaful liabilities are adequate by using an existing liability adequacy test.

Any inadequacy is recorded in profit or loss by establishing technical reserves for the loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

As with all projections, there are elements of uncertainty and thus the projected liabilities may be different from its actual liabilities due to the significant level of uncertainty involved in the discount rate used as well as mortality and morbidity assumptions.

(t) Product classification

The family takaful fund consist of contracts that transfer takaful risk and financial risk.

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

Takaful contracts are those contracts that transfer significant takaful risk. A takaful contract is a contract under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate participants if a specified uncertain future event (the claimable event) adversely affects the participants. As a general guideline, to determine whether a contract has significant takaful risk, benefits paid are compared with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant takaful risk. There are no contracts that are classified as investment contracts in the family takaful funds.

2. Significant accounting policies (continued)

(t) Product classification (continued)

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its life time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Takaful contracts in the current portfolio are classified as being without discretionary participation features (DPF) as it does not satisfy the criteria for DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- (i) that are likely to be a significant portion of the total contractual benefits;
- (ii) whose amount or timing is contractually at the discretion of the issuer; and
- (iii) that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the fund.

(u) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currencies at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the reporting date, except for those that are measured at fair value that are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(v) Fair value measurements

Fair value of an asset or a liability is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

2. Significant accounting policies (continued)

(v) Fair value measurements (continued)

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Property and equipment

Takaful operator and Company

	Note	Building RM'000	Renovation RM'000	Motor Vehicles RM'000	Computer Equipment RM'000	Office equipment, furniture and fittings RM'000	Capital Work-in- progress RM'000	Total RM'000
Cost								
At 1 January 2021		4,180	25,895	645	8,963	2,486	793	42,962
Additions for the year		-	69	-	486	98	96	749
Disposals		-	-	(645)	-	(9)	-	(654)
Property and equipment written off		-	(54)	-	(146)	(90)	-	(290)
Reversal of provisions		-	-	-	-	-	(673)	(673)
Capitalisation		-	155	-	-	-	(155)	-
At 31 December 2021/1 January 2022		4,180	26,065	-	9,303	2,485	61	42,094
Additions for the year		-	105	-	1,520	19	3,077	4,721
Disposals		-	(217)	-	-	(5)	-	(222)
Property and equipment written off		-	(3,831)	-	(196)	(160)	-	(4,187)
Capitalisation		-	158	-	-	-	(158)	-
At 31 December 2022		4,180	22,280	-	10,627	2,339	2,980	42,406

In accordance with the Company's accounting policy, a revaluation exercise was performed during 2022 for the building (inclusive of the land) and the latest valuation approximates the carrying value as at 31.12.2022. As such, no revaluation gain or loss was recognised in the revaluation reserve.

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3. Property and equipment (continued)

Takaful operator and Company (continued)

	Note	Building RM'000	Renovation RM'000	Motor Vehicles RM'000	Computer Equipment RM'000	Office equipment, furniture and fittings RM'000	Capital Work-in- progress RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2021		212	5,534	531	6,347	1,060	-	13,684
Charge for the year	24	103	2,143	26	908	252	-	3,432
Disposals		-	-	(557)	-	(7)	-	(564)
Property and equipment written off		-	(15)	-	(127)	(79)	-	(221)
At 31 December 2021/1 January 2022		315	7,662	-	7,128	1,226	-	16,331
Charge for the year	24	103	1,572	-	1,101	214	-	2,990
Disposals		-	(168)	-	-	(2)	-	(170)
Property and equipment written off		-	(2,951)	-	(194)	(135)	-	(3,280)
At 31 December 2022		418	6,115	-	8,035	1,303	-	15,871
Carrying amounts								
At 1 January 2021		3,968	20,361	114	2,616	1,426	793	29,278
At 31 December 2021/1 January 2022		3,865	18,403	-	2,175	1,259	61	25,763
At 31 December 2022		3,762	16,165	-	2,592	1,036	2,980	26,535

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4. Right-of-use assets

Takaful operator and Company

	Note	Leasehold land RM'000	Buildings RM'000	Total RM'000
Carrying amount				
At 1 January 2021		1,485	74,980	76,465
Additions for the year		-	1,385	1,385
Depreciation	24	(17)	(6,204)	(6,221)
Derecognition*		-	(950)	(950)
Modification		-	153	153
At 31 December 2021/1 January 2022		1,468	69,364	70,832
Depreciation	24	(17)	(5,793)	(5,810)
Derecognition*		-	(585)	(585)
Modification		-	(2)	(2)
At 31 December 2022		1,451	62,984	64,435

* Derecognition of the right-of-use assets during are due to the relocation of branches and agency offices.

4.1 Extension options

The office buildings contain extension options exercisable by the Company up to nine years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease Liabilities Recognised (Discounted) RM'000	Potential Future Lease Payment Not Included In Lease Liabilities (Discounted) RM'000	Historical Rate Of Extension Options %
Buildings	69,427	41,021	55%

4.2 Amounts recognised in statement of cash flows

	Note	2022 RM'000	2021 RM'000
Included in net cash from operating activities:			
Payment relating to short-term leases	24	-	5
Payment relating to leases of low-value assets	24	33	66
Profit expense in relation to lease liabilities	24	3,335	3,522
Included in net cash from financing activities:			
Payment of lease liabilities		3,964	3,938
Total cash outflow for lease		7,332	7,531

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4.3 Reconciliation of movements in lease liabilities to cash flows arising from financing activities

	2022 RM'000	2021 RM'000
At 1 January/31 December	74,011	77,379
Net changes from financing cash flows	(3,964)	(3,938)
Acquisition of new lease	-	1,396
Derecognition of lease	(613)	(993)
Modification of existing lease	(7)	167
At 1 January/31 December	<u>69,427</u>	<u>74,011</u>

5. Intangible assets

	Note	Computer software RM'000	Capital Work-in- progress RM'000	Total RM'000
Takaful operator and Company				
Cost				
At 1 January 2021		107,145	80,447	187,592
Additions for the year		1,381	36,968	38,349
Capitalisation		66,049	(66,049)	-
Intangible assets written off		(30,232)	-	(30,232)
Reversal of provisions		-	(6,887)	(6,887)
At 31 December 2021/1 January 2022		<u>144,343</u>	<u>44,479</u>	<u>188,822</u>
Additions for the year		419	23,271	23,690
Capitalisation		21,300	(21,300)	-
Intangible assets written off		(553)	-	(553)
Reversal of provisions		-	(1,867)	(1,867)
At 31 December 2022		<u>165,509</u>	<u>44,583</u>	<u>210,092</u>
Accumulated amortisation				
At 1 January 2021		57,381	-	57,381
Amortisation for the year	24	15,127	-	15,127
Intangible assets written off		(30,191)	-	(30,191)
At 31 December 2021/1 January 2022		<u>42,317</u>	<u>-</u>	<u>42,317</u>
Amortisation for the year	24	15,005	-	15,005
Intangible assets written off		(154)	-	(154)
At 31 December 2022		<u>57,168</u>	<u>-</u>	<u>57,168</u>
Carrying amounts				
At 1 January 2021		49,764	80,447	130,211
At 31 December 2021/1 January 2022		<u>102,026</u>	<u>44,479</u>	<u>146,505</u>
At 31 December 2022		<u>108,341</u>	<u>44,583</u>	<u>152,924</u>

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6. Investments

Note	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Malaysian government investment issue	-	236,716	236,716	8,020	176,952	184,972
Islamic debt securities	48,353	1,766,113	1,814,466	81,889	1,544,284	1,626,173
Equity securities	-	2,210,552	2,210,552	-	2,163,132	2,163,132
Collective investment schemes *	355,869	316,879	672,748	56,026	224,759	280,785
Deposits with financial institutions **	188,672	734,675	923,347	175,970	694,160	870,130
Investment-linked funds	2,989	-	-	2,611	-	-
	<u>595,883</u>	<u>5,264,935</u>	<u>5,857,829</u>	<u>324,516</u>	<u>4,803,287</u>	<u>5,125,192</u>

* Included in collective investment schemes is an investment into a wholesale fund of RM198,368,082 for Takaful Operator and RM7,016,824 for Family Takaful Fund for which the Company is the sole investor, giving the Company control over the investee as it has rights to returns from its involvement with the investee and the ability to affect those returns through its power over the investee. As the effect of consolidating the investee has no material effect on the financial results of the Company, the Company has not consolidated the investee.

** Included in the deposits with licensed financial institutions of the Company are deposits placed with the Holding Company of RM290,713,631 (2021: RM267,924,775).

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6. Investments (continued)

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

	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Receivables						
- Deposits with financial institutions	188,672	734,675	923,347	175,970	694,160	870,130
Fair value through profit or loss - Held-for-trading						
Malaysian government investment issue	-	236,716	236,716	8,020	176,952	184,972
Islamic debt securities	48,353	1,766,113	1,814,466	81,889	1,544,284	1,626,173
Equity securities	-	2,210,552	2,210,552	-	2,163,132	2,163,132
Collective investment schemes	355,869	316,879	672,748	56,026	224,759	280,785
Investment-linked funds	2,989	-	-	2,611	-	-
	<u>407,211</u>	<u>4,530,260</u>	<u>4,934,482</u>	<u>148,546</u>	<u>4,109,127</u>	<u>4,255,062</u>
	<u>595,883</u>	<u>5,264,935</u>	<u>5,857,829</u>	<u>324,516</u>	<u>4,803,287</u>	<u>5,125,192</u>

(b) Carrying values of financial investments are as follows:

Company	Note	Receivables RM'000	FVTPL RM'000	Total RM'000
At 1 January 2021		806,212	3,914,396	4,720,608
Purchases		38,177,098	9,142,303	47,319,401
Maturities/disposals		(38,113,180)	(8,596,946)	(46,710,126)
Fair value losses recognised in profit or loss	21	-	(204,691)	(204,691)
At 31 December 2021/1 January 2022		<u>870,130</u>	<u>4,255,062</u>	<u>5,125,192</u>
Purchases		48,039,628	17,311,767	65,351,395
Maturities/disposals		(47,986,411)	(16,335,138)	(64,321,549)
Fair value losses recognised in profit or loss	21	-	(297,209)	(297,209)
At 31 December 2022		<u>923,347</u>	<u>4,934,482</u>	<u>5,857,829</u>

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7. Retakaful assets

	Note	2022		2021	
		Family takaful fund RM'000	Company RM'000	Family takaful fund RM'000	Company RM'000
Retakaful for actuarial liabilities	11(i)	28,955	28,955	28,251	28,251
Retakaful for takaful contract liabilities	12	52,356	52,356	26,379	26,379
		<u>81,311</u>	<u>81,311</u>	<u>54,630</u>	<u>54,630</u>

8. Trade and other receivables

	Note	2022			2021		
		Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Trade receivables							
Tabarru receivables		-	96,537	96,537	-	93,129	93,129
Less: Allowance for impairment loss		-	(16,209)	(16,209)	-	(7,484)	(7,484)
		-	80,328	80,328	-	85,645	85,645
Other receivables		22,645	28,973	51,618	19,579	25,341	44,920
Income due and accrued		833	31,926	32,759	1,903	31,582	33,485
Amount due from family takaful fund	15	201,900	-	-	333,670	-	-
		<u>225,378</u>	<u>141,227</u>	<u>164,705</u>	<u>355,152</u>	<u>142,568</u>	<u>164,050</u>

The amounts due from family takaful fund are unsecured, free of rate of return and are repayable on demand.

Offsetting of financial assets and financial liabilities

As at the end of the current financial year, the Company has no financial assets and liabilities that have been set off (2021: Nil).

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9. Cash and cash equivalents

	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
2022			
Cash and bank balances	22,172	112,905	135,077
Fixed and call deposits with licensed financial institutions with maturity less than three months	42,000	103,829	145,829
	<u>64,172</u>	<u>216,734</u>	<u>280,906</u>
2021			
Cash and bank balances	40,616	74,325	114,941
Fixed and call deposits with licensed financial institutions with maturity less than three months	87,985	368,287	456,272
	<u>128,601</u>	<u>442,612</u>	<u>571,213</u>

Included in the cash and cash equivalents of the Company are the balances placed with the Holding Company of RM23,743,756 (2021: RM228,118,503).

10. Capital

	← 2022 →		← 2021 →	
	Number of shares	Amount RM'000	Number of shares	Amount RM'000
Takaful operator				
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January/31 December	<u>58,823,530</u>	<u>100,000</u>	<u>58,823,530</u>	<u>100,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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11. Participants' fund

(i) Family takaful fund

Family takaful fund at end of the year comprise the following:

	Note	2022			2021		
		Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000
Actuarial liabilities		328,253	(28,955)	299,298	276,482	(28,251)	248,231
Seed money	6	2,989	-	2,989	2,611	-	2,611
Participants' account		4,788,440	-	4,788,440	4,459,735	-	4,459,735
		<u>5,119,682</u>	<u>(28,955)</u>	<u>5,090,727</u>	<u>4,738,828</u>	<u>(28,251)</u>	<u>4,710,577</u>

The total participants' fund and its movements are analysed as follows:

	Note	2022			2021		
		Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000
Total participants' fund							
At 1 January		4,738,828	(28,251)	4,710,577	4,195,971	(28,735)	4,167,236
Gross earned contributions	17	2,942,948	(121,223)	2,821,725	2,622,495	(96,574)	2,525,921
Benefits and claims paid during the year	23	(1,297,539)	89,072	(1,208,467)	(829,497)	83,455	(746,042)
Experience variation		(15,206)	31,447	16,241	(143,825)	13,603	(130,222)
Fees deducted		(940,738)	-	(940,738)	(884,326)	-	(884,326)
Credit of profit or change in unit-prices		(195,768)	-	(195,768)	(69,185)	-	(69,185)
Surplus sharing to takaful operator		(103,000)	-	(103,000)	(143,500)	-	(143,500)
Profit paid to participants		(32,319)	-	(32,319)	(19,435)	-	(19,435)
Tax expense	26	22,476	-	22,476	10,130	-	10,130
At 31 December		<u>5,119,682</u>	<u>(28,955)</u>	<u>5,090,727</u>	<u>4,738,828</u>	<u>(28,251)</u>	<u>4,710,577</u>

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11. Participants' fund (continued)

(i) Family takaful fund (continued)

Valuation of actuarial liabilities

The liability for family takaful contracts is based on current assumptions, reflecting the best estimate as at the year-end date increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse, surrender rates and discount rates. The mortality and morbidity assumptions are based on retakaful operators' tables adjusted when appropriate to reflect the unique risk exposure, product characteristics, target markets, own claims severity and frequency experiences. The mortality and morbidity assumptions are re-assessed based on own experience as the Company credible own experience is available.

Estimates are made as to future investment income arising from the assets backing family takaful contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments and allowing for future growth of the business, as appropriate. Expenses are borne by the takaful operator and do not affect the family takaful

Lapse rate is based on the historical experience of lapses. Discount rate for liabilities accord a level of guarantee no less certain than that accorded by a Government Islamic Issue.

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11. Participants' fund (continued)

Participants' fund at end of the year comprise the following:

	2022			2021		
	Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000
(ii) Company						
Actuarial liabilities	328,253	(28,955)	299,298	276,482	(28,251)	248,231
Participants' account	4,788,440	-	4,788,440	4,459,735	-	4,459,735
	<u>5,116,693</u>	<u>(28,955)</u>	<u>5,087,738</u>	<u>4,736,217</u>	<u>(28,251)</u>	<u>4,707,966</u>

12. Takaful contract liabilities

Family takaful fund and Company

	Note	2022			2021		
		Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 7) RM'000	Net RM'000
Provision for claims reported by participants		160,959	(52,356)	108,603	115,063	(26,379)	88,684
Provision for IBNR		113,539	-	113,539	149,700	-	149,700
Provision for outstanding claims		<u>274,498</u>	<u>(52,356)</u>	<u>222,142</u>	<u>264,763</u>	<u>(26,379)</u>	<u>238,384</u>
At 1 January		264,763	(26,379)	238,384	118,461	(10,301)	108,160
Claims incurred during the year		1,343,435	(115,049)	1,228,386	885,003	(99,533)	785,470
Benefits and claims paid during the year	23	(1,297,539)	89,072	(1,208,467)	(829,497)	83,455	(746,042)
(Decrease)/Increase in IBNR		(36,161)	-	(36,161)	90,796	-	90,796
At 31 December		<u>274,498</u>	<u>(52,356)</u>	<u>222,142</u>	<u>264,763</u>	<u>(26,379)</u>	<u>238,384</u>

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13. Provision for wakalah fee

Takaful operator and Company	2022 RM'000	2021 RM'000
At 1 January	74,860	58,068
Increase during the year	8,163	16,792
At 31 December	<u>83,023</u>	<u>74,860</u>

Included in provision for wakalah fee is the allowance for impairment loss of trade receivables that are related to in-force certificates that is determined by using an estimated lapsed ratio.

14. Takaful payables

	← 2022 →			← 2021 →		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Amount due to retakaful operators and cedants	1,039	40,651	41,690	-	12,477	12,477

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15. Trade and other payables

Note	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Trade payables						
Commission payable	237,185	-	237,185	168,024	-	168,024
Other payables						
Amount due to affiliated companies	73,406	-	73,406	58,700	-	58,700
Other payables and accruals	208,483	73,826	282,309	188,291	73,270	261,561
Amount due to takaful operator	-	201,900	-	-	333,670	-
	<u>281,889</u>	<u>275,726</u>	<u>355,715</u>	<u>246,991</u>	<u>406,940</u>	<u>320,261</u>
	<u>519,074</u>	<u>275,726</u>	<u>592,900</u>	<u>415,015</u>	<u>406,940</u>	<u>488,285</u>

The amounts due to affiliated companies and takaful operator are unsecured, free of rate of return and are repayable on demand.

16. Deferred tax assets and liabilities

	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Deferred tax assets	25,230	10,307	35,537	62	-	62
Deferred tax liabilities	-	-	-	-	(13,372)	(13,372)
	<u>25,230</u>	<u>10,307</u>	<u>35,537</u>	<u>62</u>	<u>(13,372)</u>	<u>(13,310)</u>

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16. Deferred tax assets and liabilities (continued)

Movement in recognised temporary differences during the year:

	Note	At 1.1.2021 RM'000	Recognised in profit or loss RM'000	At 31.12.2021/ 1.1.2022 RM'000	Recognised in profit or loss RM'000	At 31.12.2022 RM'000
Takaful operator						
Property and equipment		(608)	-	(608)	(290)	(898)
Provisions	16(i)	106	358	464	25,540	26,004
Fair value (gains)/losses		(1,922)	2,128	206	(82)	124
	26	<u>(2,424)</u>	<u>2,486</u>	<u>62</u>	<u>25,168</u>	<u>25,230</u>
Family takaful fund						
Provisions		-	2,137	2,137	(899)	1,238
Fair value (gains)/losses		(28,699)	13,190	(15,509)	24,578	9,069
	26	<u>(28,699)</u>	<u>15,327</u>	<u>(13,372)</u>	<u>23,679</u>	<u>10,307</u>
Company						
Property and equipment		(608)	-	(608)	(290)	(898)
Provisions	16(i)	106	2,495	2,601	24,641	27,242
Fair value (gains)/losses		(30,621)	15,318	(15,303)	24,496	9,193
		<u>(31,123)</u>	<u>17,813</u>	<u>(13,310)</u>	<u>48,847</u>	<u>35,537</u>

- (i) During the year, deferred tax asset was recognised in relation to deductible temporary differences arising from the provision for wakalah fees due to the changes in the tax law as described in Note 26. The recognition of the deferred tax estimate required the use of assumptions in relation to the period the related expenses are to be incurred in the future and the availability of future taxable profit.

17. Operating revenue

Note	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Wakalah fee	18	928,886	-	880,563	-	-
Gross earned contributions	11	-	2,942,948	-	2,622,495	2,622,495
Investment income	19	7,563	132,521	14,250	121,171	135,421
		<u>936,449</u>	<u>3,075,469</u>	<u>894,813</u>	<u>2,743,666</u>	<u>2,757,916</u>

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18. Wakalah fee income/(expense)

	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Upfront wakalah fee	773,867	(773,867)	-	733,015	(733,015)	-
Service charge	61,131	(61,131)	-	57,002	(57,002)	-
Investment management fee	38,337	(38,337)	-	35,874	(35,874)	-
Risk management wakalah fee	55,551	(55,551)	-	54,672	(54,672)	-
	<u>928,886</u>	<u>(928,886)</u>	<u>-</u>	<u>880,563</u>	<u>(880,563)</u>	<u>-</u>

19. Investment income

	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Dividend income	167	77,524	77,691	1,982	77,602	79,584
Profit income from:						
Malaysian government investment issue	266	8,987	9,253	221	6,413	6,634
Islamic debt securities	3,658	76,998	80,656	4,642	66,268	70,910
Impairment on Islamic debt securities	(620)	(2,521)	(3,141)	(333)	(1,090)	(1,423)
Deposits with financial institutions	4,182	19,367	23,549	5,605	22,069	27,674
Transfer from ISA and Tabarru' to takaful operator	10,539	(10,539)	-	11,135	(11,135)	-
Transfer to participants' fund	-	(37,486)	(37,486)	-	(38,854)	(38,854)
Other investment income	575	296	871	-	-	-
Investment expenses	(11,204)	(105)	(11,309)	(9,002)	(102)	(9,104)
	<u>7,563</u>	<u>132,521</u>	<u>140,084</u>	<u>14,250</u>	<u>121,171</u>	<u>135,421</u>

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20. Realised (losses)/gains

	← 2022 →			← 2021 →		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL:						
Realised gains:						
Islamic debt securities	177	7,029	7,206	1,281	2,945	4,226
Equity securities	-	12,211	12,211	-	52,634	52,634
Collective investment schemes	1,572	3,574	5,146	-	-	-
Realised losses:						
Islamic debt securities	(1,079)	(8,479)	(9,558)	(254)	(6,237)	(6,491)
Equity securities	-	(43,917)	(43,917)	-	(45,552)	(45,552)
Collective investment schemes	(1,458)	(14)	(1,472)	-	-	-
	<u>(788)</u>	<u>(29,596)</u>	<u>(30,384)</u>	<u>1,027</u>	<u>3,790</u>	<u>4,817</u>

21. Fair value gains/(losses)

	← 2022 →			← 2021 →		
Note	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Financial assets at FVTPL	1,484	(298,693)	(297,209)	(10,545)	(194,146)	(204,691)

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22. Other operating income/(expenses)

(i) Other operating income

	← 2022 →			← 2021 →		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Retakaful surplus distribution	-	1,619	1,619	-	-	-
Others	-	5,187	5,187	3,893	4,314	8,207
	-	6,806	6,806	3,893	4,314	8,207

(ii) Other operating expenses

	← 2022 →			← 2021 →		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
No claims bonus	(8,666)	-	(8,666)	(8,452)	-	(8,452)
Others	(4,552)	(18,658)	(23,210)	(352)	(8,077)	(8,429)
	(13,218)	(18,658)	(31,876)	(8,804)	(8,077)	(16,881)

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23. Net benefits and claims

Family takaful fund

	Note	2022 RM'000	2021 RM'000
Gross benefits and claims paid	11,12	1,297,539	829,497
Claims paid ceded to retakaful companies	11,12	(89,072)	(83,455)
Gross change in contract liabilities		9,735	146,302
Change in contract liabilities ceded to retakaful companies		(25,977)	(16,078)
Net benefits paid and payable		<u>1,192,225</u>	<u>876,266</u>

24. Management expenses

Takaful operator and Company

	Note	2022 RM'000	2021 RM'000
Management expenses		<u>461,965</u>	<u>449,011</u>

Management expenses for the year is arrived after charging:

Personnel expenses (including key management personnel)

Salaries and bonus		91,093	86,457
Contributions to defined contribution plans		13,397	12,892
Other personnel expenses		16,313	15,297
		<u>120,803</u>	<u>114,646</u>
Audit related fees			
- Audit fee		608	554
- Non audit fee		-	13
Depreciation of property & equipment	3	2,990	3,432
Property & equipment written off	3	45	69
Depreciation of right-of-use assets	4	5,810	6,221
Intangible assets written off	5	399	41
Amortisation of intangible assets	5	15,005	15,127
Directors' fees and other remunerations	24(i)	1,030	761
Shariah Committees' fees and remunerations	24(ii)	264	271
Impairment/(Reversal) loss on trade receivables	8	8,725	(5,611)
Profit expenses on lease liabilities	4	3,335	3,522
Expenses relating to short-term leases *	4	-	5
Expenses relating to leases of low-value assets *	4	33	66

* The Company leases IT equipment and office premises with contract terms of 1 to 5 years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

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24. Management expenses (continued)

	Note	2022 RM'000	2021 RM'000
Directors			
<i>Non-deferred remuneration</i>			
Fixed remuneration			
Fees		850	654
Other remuneration		179	107
	24(i)	<u>1,029</u>	<u>761</u>
Shariah Committee members			
<i>Non-deferred remuneration</i>			
Fixed remuneration			
Fees		216	216
Other remuneration		48	55
	24(ii)	<u>264</u>	<u>271</u>

(i) The total remuneration received by Directors during the financial year are as follows:

	2022 Fees RM'000	Other remunerations RM'000	Total RM'000
2022			
Non-Executive Directors			
Ezamshah bin Ismail	182	41	223
Puan Rossana Annizah Rashid	185	36	221
Mazidah binti Abdul Malik	180	41	221
Madzlan bin Mohamad Hussain	146	28	174
Tunku Alizakri bin Raja Muhammad Alias	157	33	190
	<u>850</u>	<u>179</u>	<u>1,029</u>
2021			
Non-Executive Directors			
Ezamshah bin Ismail	172	29	201
Puan Rossana Annizah Rashid	168	29	197
Mazidah binti Abdul Malik	172	29	201
Madzlan bin Mohamad Hussain	71	9	80
Tunku Alizakri bin Raja Muhammad Alias	71	11	82
	<u>654</u>	<u>107</u>	<u>761</u>

The total remuneration received by Directors during the financial year is fixed and non-deferral remuneration.

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24. Management expenses (continued)

(ii) The total remuneration received by SC members during the financial year are as follows:

2022	Fees RM'000	Other remunerations RM'000	Total RM'000
Shariah Committee members			
Wan Rumaizi bin Wan Husin	42	10	52
Dr. Ahmad Zaki Salleh	42	10	52
Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	42	10	52
Dr. Sa'id Adekunle Mikail	42	9	51
Dr. Abdullaah bin Jalil	48	9	57
	<u>216</u>	<u>48</u>	<u>264</u>
2021			
Shariah Committee members			
Wan Rumaizi bin Wan Husin	42	11	53
Dr. Ahmad Zaki Salleh	42	11	53
Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	42	11	53
Dr. Sa'id Adekunle Mikail	42	11	53
Dr. Abdullaah bin Jalil	48	11	59
	<u>216</u>	<u>55</u>	<u>271</u>

The total remuneration received by SC during the financial year is fixed remuneration and non-deferred remuneration.

25. Key management personnel compensation

The key management personnel (KMP) includes all members of EXCO of the Company and Other Material Risk Taker (OMRT) which includes Head of New Business & Underwriting and Head of Underwriting Unit New Business Projects. The following is the total compensation of KMPs excluding CEO:

Takaful operator and Company

	2022 RM'000	2021 RM'000
Key management personnel		
<i>Non-deferred remuneration</i>		
Fixed remuneration		
Cash-based	4,770	4,846
Contributions to defined contribution plans	709	722
	<u>5,479</u>	<u>5,568</u>
Variable remuneration		
Cash-based	2,977	2,520
Contributions to defined contribution plans	461	391
Others	64	37
	<u>3,502</u>	<u>2,948</u>

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25. Key management personnel compensation (continued)

Key management personnel (continued)

	2022 RM'000	2021 RM'000
<i>Deferred remuneration</i>		
Variable remuneration		
Cash-based	930	1,320
Contributions to defined contribution plans	11	9
	<u>941</u>	<u>1,329</u>
	<u>9,922</u>	<u>9,845</u>
	2022	2021
Number of key management personnel receiving variable remuneration	<u>9</u>	<u>10</u>
	2022	2021
	RM'000	(Restated) RM'000
Total amount outstanding deferred remuneration (unvested)		
Cash-based	<u>7,850</u>	<u>6,590</u>

None of the key management personnel receives guaranteed bonuses, sign-on awards and severance payment. The key management personnel's deferred remuneration is not exposed to explicit adjustments. The key management personnel's unvested deferred remuneration is subject to implicit adjustments on benchmarked share price of an affiliated company.

The total remuneration received by Chief Executive Officer (including benefits-in-kind) during the financial year as follow :

	2022 RM'000	2021 RM'000
Chief Executive Officer		
<i>Non-deferred remuneration</i>		
Fixed remuneration		
Cash-based	1,111	1,062
Contributions to defined contribution plans	173	165
	<u>1,284</u>	<u>1,227</u>
Variable remuneration		
Cash-based	1,993	1,433
Contributions to defined contribution plans	309	222
Others	31	13
	<u>2,333</u>	<u>1,668</u>
<i>Deferred remuneration</i>		
Variable remuneration		
Cash-based	408	468
Contributions to defined contribution plans	2	1
	<u>410</u>	<u>469</u>
	<u>4,027</u>	<u>3,364</u>

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26. Tax expense

Domestic corporate income tax for takaful operator fund is calculated at the Malaysian statutory tax rate of 24% based on the estimated assessable profit for the year while the taxation charge on family takaful fund which is based on the method prescribed under the Income Tax Act, 1967, is calculated at the tax rate of 8%.

For takaful operator fund, the corporate income tax rate is 24% and for the family takaful fund, the tax rate is 8%. Consequently, deferred tax assets and liabilities are measured using these tax rates.

Since year of assessment 2015, wakalah fees (comprising of fees as disclosed in Note 18) or any other fee receivable by the takaful operator fund in connection with the family fund as disclosed in Note 18 (except for any other fee receivable in respect of an investment fund from the family fund) are not subject to tax and its constituent outgo i.e. management expenses and commission expenses incurred in connection with family business were no longer tax deductible.

Effective from the year of assessment 2022, due to the amendments in the Section 60AA of the Income Tax Act 1967, wakalah fees income are subject to tax and its constituent outgo are tax deductible.

Note	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Malaysian taxation						
- Current year tax expense	20,818	3,957	20,818	37,764	6,717	37,764
- Over provision in prior year	(1,730)	(2,754)	(1,730)	(281)	(1,520)	(281)
	<u>19,088</u>	<u>1,203</u>	<u>19,088</u>	<u>37,483</u>	<u>5,197</u>	<u>37,483</u>
Deferred tax (assets)/liabilities						
- Reversal and origination of temporary differences	(25,168)	(23,679)	(25,168)	(2,498)	(15,327)	(2,498)
	<u>(25,168)</u>	<u>(23,679)</u>	<u>(25,168)</u>	<u>(2,498)</u>	<u>(15,327)</u>	<u>(2,498)</u>
	<u>(6,080)</u>	<u>(22,476)</u>	<u>(6,080)</u>	<u>34,985</u>	<u>(10,130)</u>	<u>34,985</u>

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26. Tax expense (continued)

A reconciliation of income tax expense applicable to profit/surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds is as follows:

	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Profit/surplus before taxation	3,084	389,994	3,084	47,961	552,644	47,961
Taxation at applicable Malaysian statutory tax rate	740	31,200	740	11,511	44,212	11,511
Income not subject to tax	(462)	(52,962)	(462)	(209,783)	(53,701)	(209,783)
Non-deductible expenses	8,043	1,437	8,043	235,861	636	235,861
Other - Special tax relief	(787)	-	(787)	(2,356)	-	(2,356)
	7,534	(20,325)	7,534	35,233	(8,853)	35,233
Over provision of current tax in prior year	(1,730)	(2,754)	(1,730)	(281)	(1,520)	(281)
Effect of unrecognised deferred tax assets *	(12,042)	-	(12,042)	-	-	-
Others	158	603	158	33	243	33
	(6,080)	(22,476)	(6,080)	34,985	(10,130)	34,985

* Reference to the disclosure in Note 16(i).

27. Segment information on cash flows

	2022			2021		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Cash flows generated from/(used in):						
Operating activities	227,016	434,405	661,421	20,894	856,411	877,305
Investing activities	(287,481)	(660,283)	(947,764)	(8,420)	(504,235)	(512,655)
Financing activities	(3,964)	-	(3,964)	(3,938)	-	(3,938)
Net (decrease)/ increase	(64,429)	(225,878)	(290,307)	8,536	352,176	360,712

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28. Related parties

Identity of related parties

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

(i) Holding company

The holding company is Bank Simpanan Nasional, a bank incorporated under the Bank Simpanan Nasional Act, 1974 and domiciled in Malaysia.

(ii) Affiliated company

The affiliated company comprises the following:

(a) a company having an equity interest of between 20% to 50% in the Company and including other corporations related to the first mentioned corporation.

(b) a company that has a number of common Directors with the Company.

(iii) Key management personnel

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 includes all members of the EXCO of the Company and OMRT, namely the Head of New Business & Underwriting and Head of Underwriting Unit New Business Projects.

Significant related party transactions

The significant related party transactions of the Company, other than key management personnel compensation as disclosed in Note , are as follows:

	Transaction amount for the year ended 31 December (Income)/Expense	
	2022	2021
	RM'000	RM'000
Holding company - Malaysia		
Investment income		
(i) Profit from Deposit Placements	<u>(4,634)</u>	<u>(9,678)</u>
Operating Expenditure		
(i) Commission expenses	22,194	13,988
(ii) Sales related expenses	<u>11,997</u>	<u>7,946</u>

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28. Related parties (continued)

Significant related party transactions (continued)

	Transaction amount for the year ended 31 December (Income)/Expense	
	2022 RM'000	2021 RM'000
Affiliated companies - Malaysia		
Operating Expenditure		
(i) Other management expenses	23,782	44,418
(ii) Sales related expenses	61,339	48,627
(iii) Information Technology (IT) related expenses and services	9,548	16,818
(iv) Operation and other services	3,302	4,008
(v) Office rental	701	650
(vi) Fund management fees	10,503	8,048
(vii) Project management	772	7,811
(viii) Zakat and donation	4,550	5,040
Capital Expenditure		
(i) Hardware & Software development	38,958	16,269
(ii) Renovation	105	148

Transactions between the Company and its related party includes accounting provisions accounted in the profit and loss.

Significant related party balances

	Gross balance outstanding 31 December	
	2022 RM'000	2021 RM'000
Amount due to related companies		
(i) Prudential Assurance Malaysia Berhad	51,684	45,622
(ii) Prudential Singapore Services Pte. Ltd.	3,566	350
(iii) Prudential Corporation Holdings Limited	7,445	11,280
(iv) Prudential Services Asia Sdn Bhd	1,806	818
(v) Eastspring Al-Wara' Investments Berhad	3,183	630
(vi) Pulse Ecosystem Holding Limited	5,722	-
Balances with Holding Company		
(i) Cash and cash equivalents	23,744	228,119
(ii) Deposits with financial institutions	290,714	267,925

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29. Investment-linked business

Statement of financial position as at 31 December 2022

	2022 RM'000	2021 RM'000
Assets		
Investments	2,984,513	2,861,215
Income due and accrued	8,832	6,539
Amount due from family takaful fund	95,394	139,515
Other receivables	161	4,188
Current tax assets	484	-
Deferred tax assets	7,211	-
Cash and bank balances	5,904	4,123
Total Investment-linked business assets	<u>3,102,499</u>	<u>3,015,580</u>
Liabilities		
Other payables	6,075	2,958
Current tax liabilities	-	1,652
Amount due to takaful operator	6,114	6,114
Deferred tax liabilities	-	13,481
Total Investment-linked business liabilities	<u>12,189</u>	<u>24,205</u>
Net asset value of funds	<u>3,090,310</u>	<u>2,991,375</u>
Represented by:		
Unit holders' account	<u>3,090,310</u>	<u>2,991,375</u>

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	2022 RM'000	2021 RM'000
Investment income	95,614	91,171
Realised (losses)/gains	(36,138)	5,509
Fair value losses	(258,693)	(120,832)
Investment management fees	(38,302)	(36,300)
Other operating income	4,048	4,158
Deficit before taxation	<u>(233,471)</u>	<u>(56,294)</u>
(Less): Tax income/(expense)	1,191	(1,276)
Deficit after taxation	<u>(232,280)</u>	<u>(57,570)</u>

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30. Takaful risk management

The Board assumes the overall responsibility for the Company's risk management including takaful risk management and it is supported by BRMC and BIC. Risk Management Committee and Investment Committee support the BRMC and BIC through regular updates.

The Company has in place policies, guidelines and limits in managing its takaful risk. Management of risks includes the selection and pricing of risks, product diversification, monitoring of actual experience, and using retakaful to diversify risk and limit potential net losses.

Takaful risk to the Company includes mortality, morbidity, expenses, lapses, surrenders, investments return, persistency and discount rate.

Family takaful investment-linked certificates

The family takaful investment-linked certificates are mainly made up of regular contribution investment-linked products which can be attached to various riders such as medical, contributor, hospital income and accidental riders. The main products are PruBSN Linked Series, PruBSN AsasLink and PruBSN WarisanPlus. The main riders are Crisis Shield, Health Enrich, HealthEnrich+, Health Protector, Medic Protector, Contributor and Accidental Protector Plus.

Family takaful non-investment-linked certificates

The family takaful non-investment-linked certificates consist of protection plans (for death, TPD and critical illness), savings plan and credit related reducing sum covered protection plan. The main products are PruBSN AnugerahPlus, PruBSN Aspirasi, BSN Fitrah, PruBSN Anggun, Sakinah, Mortgage Reducing Term Takaful and Reducing Term Takaful.

(a) Family takaful contracts

Concentration of takaful risk

The risk selection process determines the groups of takaful risk that are acceptable so that diversification of takaful risk types is achieved. This is to ensure that within each of these risk types, there is a sufficiently large population of risks to reduce the variability of the expected outcome.

In the classification process, certificates are classified into separate categories of standard and degree of substandard. Medical selection and financial underwriting guidelines included in the underwriting procedures allow the correct assignment of takaful risk to the appropriate class. Each class has varied takaful charges to reflect the health and medical history of the applicants.

The retakaful arrangements for risks undertaken by the fund have also limited the fund's risk exposure. There is a maximum retention limit for any single covered life. Generally, the fund retains low counterparty risk by having retakaful with high credit rating retakaful operators.

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30. Takaful risk management (continued)

(a) Family takaful contracts (continued)

Concentration of takaful risk (continued)

Concentration of risk based on participants' fund balance

	Gross RM'000	Retakaful RM'000	Net RM'000
2022			
Endowment	4,226,963	-	4,226,963
Term	447,020	-	447,020
Mortgage	445,699	(28,955)	416,744
Total family takaful fund	5,119,682	(28,955)	5,090,727
2021			
Endowment	3,968,248	-	3,968,248
Term	383,887	-	383,887
Mortgage	386,693	(28,251)	358,442
Total family takaful fund	4,738,828	(28,251)	4,710,577

Key assumptions

Material judgement and analysis are required in the choice of assumptions to estimate the liabilities. The assumptions are based on past experience, current internal data and external market indices and benchmarks which reflect current observable market prices and published information. The assumptions used in the valuation of liabilities are based on prudent estimates. This ensures that the fund is financially sound to meet its obligations.

Actual results may differ from these estimates. Assumptions are evaluated periodically to ensure realistic and reasonable valuations. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity

The Company derives best estimate mortality or morbidity assumptions for each product type. These best estimates are based on studies which are derived from the existing portfolio. In practice, as the portfolio is dominated by new business sales whereby the experience is affected by underwriting selection effect, the best estimate assumption is not established entirely based on the portfolio experience but also with reference to retakaful risk rate tables.

Underwriting practices influences the mortality and morbidity experience of the fund. Monitoring and experience studies need to be performed if there are changes to underwriting practices.

30. Takaful risk management (continued)**(a) Family takaful contracts (continued)****Key assumptions (continued)***Longevity*

As there are no annuity products, longevity is not a significant assumption for the portfolio.

Investment return

The operational model of the takaful contracts is based on Tabarru' charges deducted from the participant funds to the Risk fund monthly. Investment risk is largely passed on to the participants. As a result, most Risk funds are not exposed to movements in rate of return and market values of the underlying assets.

Takaful Fund 2 provides maturity benefit for PruBSN Platinum, Premier One-i, and Smart Secure Takaful, as well as supporting regular cash payment in the event Participants Investment Account is in deficit for PruBSN Platinum, Premier One-i, Level Term Takaful, Smart Secure Takaful, PruBSN Aspirasi and Premier Vantage. Investment of fund are backed by Sukuk and cash equivalent, liabilities are set up based on Government Islamic Issuance Yield.

Expenses

Expenses are borne entirely by the takaful operator (except for certain outgo as allowed for by the contract or by the relevant regulatory guidelines) and not the takaful funds. Expense assumption has no impact to the Risk funds.

Persistency

Persistency has marginal impact to the takaful funds as charges are deducted monthly and claims paid only if the certificate is in-force.

Discount rate

Discount rate has a significant impact on provisions for contract liabilities. Lower discount rates will increase provisions required as the investment return that can be earned on the provisions are lower. Conversely, a higher discount rate reduces the provisions.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross contract liabilities, net contract liabilities, surplus and takaful operator's profit or loss. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be 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.

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30. Takaful risk management (continued)

(a) Family takaful contracts (continued)

Sensitivities (continued)

	Change in assumptions %	Impact on gross contract liabilities RM'000	Impact on net contract liabilities RM'000	Impact on tabarru surplus RM'000	Impact on takaful operator's profit or loss RM'000
2022					
Mortality/Morbidity	+10	99,363	79,057	(55,142)	(44,422)
Investment return	+/-1	2,704	2,739	(2,675)	(1,393)
Lapse and surrender rates	-10	1,628	936	(906)	(436)
Discount rate	-1	24,203	22,450	(22,720)	(7,721)
2021					
Mortality/Morbidity	+10	92,763	71,722	(49,413)	(51,549)
Investment return	+/-1	2,371	2,268	(2,239)	(1,141)
Lapse and surrender rates	-10	1,309	586	(557)	(260)
Discount rate	-1	22,560	20,708	(20,804)	(12,120)

For Investment Return sensitivity, +1% or -1% was applied to the investment return based on whichever resulted a higher liability.

Morbidity assumption has the largest impact as the benefit outgo of the riders constitutes a major portion of the takaful portfolio.

For pre-Takaful Operating Framework (TOF) businesses, losses in the family takaful fund are supported by risk management wakalah fees and if insufficient, a benevolent loan (Qard) is provided by the takaful operator in that order. Surpluses in the family takaful funds will be used to meet risk management charges before they are distributed to the participants. Losses for post-TOF businesses will be supported by a benevolent loan (Qard) from takaful

In the sensitivities above, the impact on surplus takes account of total surplus available before the distribution of surplus arising and surplus carried forward. As a result, an impact to the takaful operator's profit or loss would only occur if the stress fully utilises the total available surplus as is the case with the mortality stress where a benevolent loan (Qard receivable) from the takaful operator will be provided to mitigate the deficit in the Tabarru' fund.

31. Financial Instruments

Financial risk (other than takaful risk) management objectives and policies

As disclosed in Note 30, the BRMC and BIC are also supported by Risk Management Committee and Investment Committee on financial risk management in addition to takaful risk management through the regular updates.

The Risk Management Committee is established to be responsible in reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval. The Committee has adopted a Risk Management Framework that requires all businesses and functions to establish processes for identifying, evaluating and managing the key risks faced by the Company.

The Investment Committee will oversee the investment of all investment funds maintained by the Company. This includes reviewing of the investment performance, setting up benchmarks and obtaining third party advice, if necessary.

The Investment Committee is also responsible to share all investment risk reporting and assessments with the Risk Management function for onward deliberation at the Risk Management Committee. Investment Committee shall also be responsible to escalate for the attention of the Risk Management Committee, appropriate board-level sub-committee and the Board areas of concern that might negatively affect PruBSN investment risk profile.

Specific risks that affect the Company's financial position are:

Credit risk

Credit risk is the risk of potential financial loss to the Company and it arises from the risks of loss of principal or income on the failure of a obligator or counterparty to meet its contractual obligations. The Company's exposure to credit risk arises mainly from investment in debt instruments issued by the Malaysian Government, Islamic debts securities, amounts due from retakaful and cedants, trade and other receivables, cash and cash equivalents as well as deposits placed with licensed financial institutions in Malaysia. This is managed through regular evaluation of minimum credit ratings of the financial instruments the Company invests in. At reporting date, other than the investments in financial instruments issued by the Malaysian Government and private companies, there were no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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31. Financial Instruments (continued)

Credit risk (continued)

(a) Credit rating of financial assets

In view of the following sound credit rating of counterparties, the Company does not expect any counterparty to fail in meeting its obligation except for allowance for impairment loss recognised in respect of trade and other receivables as disclosed in Note 8.

	← 2022 →			← 2021 →		
	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	Company RM'000
Receivables						
Deposits with financial institutions	188,672	734,675	923,347	175,970	694,160	870,130
Retakaful assets	-	81,311	81,311	-	54,630	54,630
Trade and other receivables	225,378	141,227	164,705	355,152	142,568	164,050
Cash and cash equivalents	64,172	216,734	280,906	128,601	442,612	571,213
	<u>478,222</u>	<u>1,173,947</u>	<u>1,450,269</u>	<u>659,723</u>	<u>1,333,970</u>	<u>1,660,023</u>
Financial assets at FVTPL:						
Malaysian government investment issue	-	236,716	236,716	8,020	176,952	184,972
Islamic debts securities	48,353	1,766,113	1,814,466	81,889	1,544,284	1,626,173
	<u>48,353</u>	<u>2,002,829</u>	<u>2,051,182</u>	<u>89,909</u>	<u>1,721,236</u>	<u>1,811,145</u>

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31. Financial Instruments (continued)

Credit risk (continued)

	2022						2021					
	AAA RM'000	AA RM'000	A RM'000	D RM'000	Non- rated RM'000	Total RM'000	AAA RM'000	AA RM'000	A RM'000	D RM'000	Non- rated RM'000	Total RM'000
Takaful operator												
Receivables												
Deposits with financial institutions	89,308	98,469	-	-	895	188,672	49,570	98,469	-	-	27,931	175,970
Trade and other receivables	-	-	-	-	225,378	225,378	-	-	-	-	355,152	355,152
Cash and cash equivalents	60,418	-	3,683	-	71	64,172	123,780	413	1,333	-	3,075	128,601
Financial assets at FVTPL:												
Malaysian government investment issue*	-	-	-	-	-	-	-	-	-	-	8,020	8,020
Islamic debts securities	18,956	10,105	6,885	1,217	11,190	48,353	34,618	23,618	4,442	2,435	16,776	81,889
Family takaful fund												
Receivables												
Deposits with financial institutions	387,099	57,758	-	-	289,818	734,675	396,408	57,758	-	-	239,994	694,160
Retakaful assets*	-	81,276	-	-	35	81,311	-	54,630	-	-	-	54,630
Trade and other receivables	-	-	-	-	141,227	141,227	-	-	-	-	142,568	142,568
Cash and cash equivalents	186,834	6,163	-	-	23,737	216,734	215,924	1,582	-	-	225,106	442,612
Financial assets at FVTPL:												
Malaysian government investment issue*	-	-	-	-	236,716	236,716	-	-	-	-	176,952	176,952
Islamic debts securities	500,054	676,290	49,164	4,425	536,180	1,766,113	487,273	604,364	49,584	8,848	394,215	1,544,284

* Equivalent rating was used for rating agencies other than Rating Agency of Malaysia and Malaysian Rating Corporation Berhad.

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31. Financial Instruments (continued)

Credit risk (continued)

	← 2022 →						← 2021 →					
	AAA RM'000	AA RM'000	A RM'000	D RM'000	Non- rated RM'000	Total RM'000	AAA RM'000	AA RM'000	A RM'000	D RM'000	Non- rated RM'000	Total RM'000
Company												
Receivables												
Deposits with financial institutions	476,407	156,227	-	-	290,713	923,347	445,978	156,227	-	-	267,925	870,130
Retakaful assets*	-	81,276	-	-	35	81,311	-	54,630	-	-	-	54,630
Trade and other receivables	-	-	-	-	164,705	164,705	-	-	-	-	164,050	164,050
Cash and cash equivalents*	247,252	6,163	3,683	-	23,808	280,906	339,704	1,995	1,333	-	228,181	571,213
Financial assets at FVTPL:												
Malaysian government investment issue*	-	-	-	-	236,716	236,716	-	-	-	-	184,972	184,972
Islamic debts securities	519,010	686,395	56,049	5,642	547,370	1,814,466	521,891	627,982	54,026	11,283	410,991	1,626,173

* Equivalent rating was used for rating agencies other than Rating Agency of Malaysia and Malaysian Rating Corporation Berhad.

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31. Financial Instruments (continued)

Credit risk (continued)

(b) Aging of takaful receivables and trade and other receivables

The ageing of takaful receivables and trade and other receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Takaful operator			
2022			
Not due	225,378	-	225,378
Due 0 - 45 days	-	-	-
Due more than 45 days	-	-	-
	<u>225,378</u>	<u>-</u>	<u>225,378</u>
2021			
Not due	355,152	-	355,152
Due 0 - 45 days	-	-	-
Due more than 45 days	-	-	-
	<u>355,152</u>	<u>-</u>	<u>355,152</u>
Family takaful fund			
2022			
Not due	127,005	-	127,005
Due 0 - 45 days	14,222	-	14,222
Due more than 45 days	16,209	(16,209)	-
	<u>157,436</u>	<u>(16,209)</u>	<u>141,227</u>
2021			
Not due	122,808	-	122,808
Due 0 - 45 days	19,760	-	19,760
Due more than 45 days	7,484	(7,484)	-
	<u>150,052</u>	<u>(7,484)</u>	<u>142,568</u>

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31. Financial Instruments (continued)

Credit risk (continued)

(b) Aging of takaful receivables and trade and other receivables (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
Company			
2022			
Not due	150,483	-	150,483
Due 0 - 45 days	14,222	-	14,222
Due more than 45 days	16,209	(16,209)	-
	<u>180,914</u>	<u>(16,209)</u>	<u>164,705</u>
2021			
Not due	144,290	-	144,290
Due 0 - 45 days	19,760	-	19,760
Due more than 45 days	7,484	(7,484)	-
	<u>171,534</u>	<u>(7,484)</u>	<u>164,050</u>

There is no collective impairment allowance for takaful receivables and trade and other receivables as at the end of the reporting period.

The allowance account in respect of receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

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31. Financial Instruments (continued)

Liquidity risk

The Company monitors daily the cash flows and holds a sufficient quantum of financial assets that can readily be converted into cash to meet contractual and regulatory financial obligations and to undertake new transactions.

Maturity profile of financial liabilities

The maturity profile of the Company's financial liabilities which include takaful contract liabilities, takaful payables and trade and other payables as at the end of the reporting period based on remaining undiscounted contractual obligations, including profit payable are payable within a year.

For takaful contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised takaful liabilities. The retakaful's share of unearned contributions have been excluded from the analysis as these are not contractual obligations.

The maturity profile of the Company's lease liabilities as at end of reporting period based on undiscounted contractual payments are summarised in table below:

	Carrying Amount RM'000	Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2022							
Lease liabilities	69,427	3.1 to 4.7	90,618	6,921	7,474	22,498	53,725
2021							
Lease liabilities	74,011	3.1 to 4.7	98,548	7,736	7,111	21,965	61,736

Operational risk

Operational risk relates to the risk of potential loss from a breakdown in internal processes, systems, deficiencies in people and management or operational failure arising from external events. The Company mitigates operational risk by establishing appropriate policies, internal control and procedures and contingency planning.

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31. Financial Instruments (continued)

Market risk

Market risk is the risk of potential losses of income or market value due to fluctuations in factors such as profit rates, foreign exchange rates, equity prices or change in volatility or a combination of such factors. The Company is mainly exposed to profit rate risk and equity risks for its investment activities.

(a) Profit rate risk of financial assets

The Company accounts for fixed rate financial assets at fair value through profit or loss. Therefore, these financial assets are exposed to a risk of change in their fair value due to changes in profit rates. When profit rates move up, the fair value of the financial assets will move down, and vice versa.

Profit rate risk is an external factor which is beyond the Company's control. However the Company regularly monitors the profit rate movement. The financial assets purchased are also intended to be held to maturity; hence an upward movement in the profit rate will only result in unrealised losses in the financial statements.

The analysis below assumes that all other variables remain constant and the Company's Islamic debt securities fair value moved in correlation with the prevailing market rate of return:

	Change in variables	Impact on profit or loss / surplus		
		Takaful operator	Family takaful fund	Company
	%	RM'000	RM'000	RM'000
2022				
Rate of return	+1	(3,150)	(127,995)	(131,145)
Rate of return	-1	3,150	127,995	131,145
2021				
Rate of return	+1	(5,464)	(112,200)	(117,664)
Rate of return	-1	5,464	112,200	117,664

(b) Equity risk

Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate caused by changes in market prices (other than those arising from rate of return risk). These changes may be caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity risk exposure relates to financial assets and financial liabilities where its values may fluctuate as a result of changes in market prices.

The Company's exposure to equity is indirect through the investment-linked unit funds whereby the risks are borne by participants.

31. Financial Instruments (continued)

(b) Equity risk (continued)

The analysis below assumes that all other variables remain constant and the Company's equity investments moved in correlation with FTSE Bursa Malaysia Emas Shariah Index ("FBMSHA") and Dow Jones Islamic Market Greater China Index ("DJIMGC").

	Change in variables %	Impact on surplus 2022 RM'000	Impact on surplus 2021 RM'000
FBMSHA	+10	269,363	260,253
FBMSHA	-10	(269,363)	(260,253)
DJIMGC	+10	24,360	19,943
DJIMGC	-10	(24,360)	(19,943)

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Company						
2022						
Malaysian government investment issue	-	236,716	-	236,716	236,716	236,716
Islamic debt securities	-	1,808,824	5,642	1,814,466	1,814,466	1,814,466
Equity securities	2,210,552	-	-	2,210,552	2,210,552	2,210,552
Collective investment schemes	672,748	-	-	672,748	672,748	672,748
	<u>2,883,300</u>	<u>2,045,540</u>	<u>5,642</u>	<u>4,934,482</u>	<u>4,934,482</u>	<u>4,934,482</u>
2021						
Malaysian government investment issue	-	184,972	-	184,972	184,972	184,972
Islamic debt securities	-	1,614,890	11,283	1,626,173	1,626,173	1,626,173
Equity securities	2,163,132	-	-	2,163,132	2,163,132	2,163,132
Collective investment schemes	280,785	-	-	280,785	280,785	280,785
	<u>2,443,917</u>	<u>1,799,862</u>	<u>11,283</u>	<u>4,255,062</u>	<u>4,255,062</u>	<u>4,255,062</u>

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31. Financial Instruments (continued)

Fair value information (continued)

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2021: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Financial assets measured at fair value based on Level 3:

Company	2022 RM'000	2021 RM'000
Islamic debt securities		
As at 1 January	11,283	-
Transferred into level 3	-	11,283
Changes in fair value	(5,641)	-
Balance as at 31 December	<u>5,642</u>	<u>11,283</u>

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the key observable inputs used in the valuation models.

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Islamic debt securities	The fair value of unquoted/defaulted debt security is based on estimated recovery rates measure against trading prices referenced from a credit rating agency report.	Estimated recovery rate (2022: < 40%; 2021: 40% - 65%)	The estimated fair value would increase/decrease if the estimated recovery rate were higher/lower.

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32. Capital commitments

	2022 RM'000	2021 RM'000
Capital expenditure commitments		
Intangible assets		
Authorised but not contracted for	913	4,894
Contracted but not provided for	3,039	-
	<u>3,952</u>	<u>4,894</u>

33. Regulatory capital requirements

The capital structure of the Company as at 31 December 2022, as prescribed under the Risk Based Capital Framework for takaful operators (RBCT) is provided below:

	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital		
Ordinary share	100,000	100,000
Reserves, including retained earnings	477,435	466,759
	<u>577,435</u>	<u>566,759</u>
Tier 2 Capital		
Revaluation Reserve	1,925	1,925
Amounts deducted from capital	(205,046)	(179,225)
Total capital available	<u>374,314</u>	<u>389,459</u>

Prudential BSN Takaful Berhad

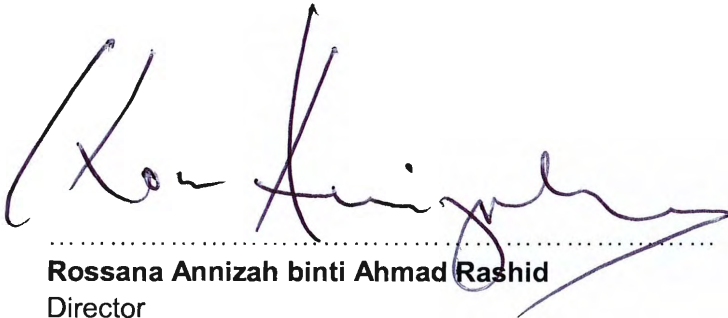
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Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 42 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2022 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Rossana Annizah binti Ahmad Rashid
Director



.....
Lilian Ng Lup-Yin
Director

Date: 15 February 2023

Prudential BSN Takaful Berhad

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Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, New Kheng Chee, the officer primarily responsible for the financial management of Prudential BSN Takaful Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 113 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.


Subscribed and solemnly declared by the abovenamed, New Kheng Chee, NRIC: 750406-10-5535 at Kuala Lumpur in the Federal Territory on 15 February 2023.



.....
New Kheng Chee

Before me:




12 RT-11, JALAN 1/46A,
SENTUL PERDANA
BANDAR BARU SENTUL
51000 KUALA LUMPUR

KPMG PLT
(LLP0010081-LCA & AF 0758)
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRUDENTIAL BSN TAKAFUL BERHAD

(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prudential BSN Takaful Berhad, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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 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 internal control of the Company.

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

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

Other Matter(s)

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.


KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants


Mok Wan Kong
Approval Number: 02877/12/2024 (J)
Chartered Accountant

Petaling Jaya

Date: 15 February 2023