# Prudential BSN Takaful Berhad

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

# Financial statements for the financial year ended 31 December 2025

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| **CONTENTS** | **PAGE** |
|---|---|

**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 2025.

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

## Results

| | Company RM'000 |
|---|---|
| Net profit for the year | 214,688 |

## Dividend

No dividend was paid during the financial year.

## 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, Independent Non-Executive Director)
Solmaz Altin (Non-Independent Executive Director) (resigned w.e.f. 25 August 2025)
Ezamshah bin Ismail (Independent Non-Executive Director)
Mazidah binti Abdul Malik (Independent Non-Executive Director)
Tunku Alizakri bin Raja Muhammad Alias (Independent Non-Executive Director)
Zarir bin Mohd Rawi @ Mohd Rauf (Non-Independent Non-Executive Director)
Cai Qiang (Non-Independent Executive Director) (appointed w.e.f. 25 August 2025)

## Statement of directors' responsibility

In preparing the financial statements, the Directors have ensured that these financial statements are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting 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 2025 and of its financial performance and cash flows of the Company for the financial year ended 31 December 2025.

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 141.

## 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 2025, 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.

## Directors' benefits (continued)

The directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2025 are as follows (as presented in Note 21 of the financial statements):

| | |
|---|---|
| Directors of the Company: | **RM'000** |
| Fees | 905 |
| Other remuneration | 352 |
| | 1,257 |

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.

**Issuance of Sukuk**

There were no sukuk issued during the financial year. The Company has issued RM160 million Subordinated Islamic Medium Term Notes ("T2 Sukuk Wakalah") to Bank Simpanan Nasional and Prudential Corporation Holdings Limited up to 31 December 2025.

## 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;

(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;

# Corporate governance (continued)

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

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

(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;

(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 retakaful / insurer and cross trade transactions;

# Corporate governance (continued)

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

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

(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;

(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;

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

# Corporate governance (continued)

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

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

(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;

(xxxvi) evaluating the risks and opportunities arising from climate change on a periodic basis and considering these risks and opportunities in assessing and approving the Company's strategies and business plan. The Board shall designate a Senior Management Officer to oversee the effective management of climate-related risks to ensure compliance with the BNM's requirements on Climate Risk Management & Scenario Analysis (CRMSA);

(xxxvii) overseeing the formulation and implementation of the Company's internal governance and control frameworks (including internal structures, policies, and processes) on the appointment of agents to ensure compliance with the BNM's requirements on Professionalism of Insurance and Takaful agents (PITA);

(xxxviii) undertaking various functions and responsibilities as specified in the guidelines and directives issued by the regulatory authority from time to time;

(xxxix) overseeing the application of hajah type 2 and darurah within the Company and ensuring an appropriate governance system is established to facilitate effective implementation of hajah type 2 and darurah that reflects the importance of strategy formulation and risk management practices and promotes end-to-end compliance with Shariah;

(xl) set clear expectations on fair treatment of financial consumers (FTFC) to ensure reasonable standards of fair dealing that are aligned with Shariah principles, including by working with Senior Management to promote a sound corporate culture within PruBSN which reinforces ethical, prudent and professional conduct and behaviour; demonstrating commitment to FTFC, including the fair treatment of vulnerable consumers (FTVC) through actions, communications and measures to achieve FTFC outcomes; approving relevant policies to achieve FTFC outcomes; and ensuring appropriate reflection of FTFC in PruBSN's business strategies and operations;

(xli) PruBSN Customer Commitment Policy shall be reviewed annually and any significant amendments shall be approved by the Board. Significant changes include, but are not limited to Regulatory Compliance (Updates required to comply with new laws or regulations that affect the company's operations or customer interactions) and Strategic Direction (Any amendments that align with or alter the company's long-term strategic goals and objectives).

# Corporate governance (continued)

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

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

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.

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 is one (1) OMRT in the Company, namely the Head of New Business and Underwriting.

Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The Chairman 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.

# Corporate governance (continued)

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

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

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.

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 has established PruBSN Company Directors' Code of Ethics which essentially adopts the Code of Ethics for Company Directors established by the Companies Commission of Malaysia (CCM) and comprised of the codes in relation to Corporate Governance, Relationship with Shareholders, Employees, Creditors and Customers and Social Responsibilities and the Environment.

**(b) Board Size and Composition**

The Board comprised six (6) members including the Chairman as at the end of the financial year 2025. 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.

Appointment or reappointment of 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.

# Corporate governance (continued)

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

**(c) Board Meetings**

During the financial year ended 31 December 2025, the Board met twelve (12) times to decide on the objectives, strategies and any other specific matters which are reserved for its decision. All Directors except Mr. Cai Qiang 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. The quorum for Board meetings require at least half of the Board members be present. The Chairman nominated and appointed shall preside as Chairman at Board meetings but if at any meeting the Chairman is not present within fifteen (15) minutes after the time for holding the meeting, the Directors present may choose one (1) among themselves to be Chairman of the Board meeting and document as such in the minutes. In the case of an equality of votes, the Chairman shall only be entitled to vote in his/her capacity as a Director and shall not have an additional or casting vote in his/her capacity as decision.

The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary. Details of the attendance of each Director are as follows:

| **Director** | **Attendance** |
|---|---|
| Rossana Annizah binti Ahmad Rashid | 12/12 |
| Solmaz Altin (resigned w.e.f. 25 August 2025) | 6/6 |
| Ezamshah bin Ismail | 12/12 |
| Mazidah binti Abdul Malik | 12/12 |
| Tunku Alizakri bin Raja Muhammad Alias | 12/12 |
| Zarir bin Mohd Rawi @ Mohd Rauf | 12/12 |
| Cai Qiang (appointed w.e.f. 25 August 2025) | 4/6 |

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.

# Corporate governance (continued)

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

**(e) Directors' Profile**

**(i) ROSSANA ANNIZAH BINTI AHMAD RASHID**
Chairman, Independent Non-Executive Director
Age 60, Female, Malaysian

Puan Rossana was appointed as Non-Independent Non-Executive Director and Chairman of Prudential BSN Takaful Berhad effective from 11 December 2020. She was redesignated as Independent Non-Executive Director effective 15 December 2023 and is also a member of BRMC, BRC, BNC and BIC of the Company.

Puan Rossana previously served as Chairman of Bank Simpanan Nasional, Country Chairman of Jardine Matheson Group in Malaysia and was on the Boards of IHH Healthcare Berhad, Cycle & Carriage Bintang Berhad, Celcom Axiata Berhad, edotco Group Sdn Bhd, Astro Malaysia Holdings Berhad as well as Telekom Malaysia Berhad. She was also a member of the Investment Panel and Chairman of Investment Panel Risk Committee of the Employees Provident Fund (EPF) Malaysia.

Puan Rossana 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, identifying sustainable monetization models, understanding customers and competition, as well as at the need for reviewing monetization models with a focus on revenue and cost management.

She 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) CAI QIANG**
Non-Independent Executive Director
Age 58, Male, Chinese

Mr. Cai was appointed as Executive Director of Prudential BSN Takaful Berhad effective from 25 August 2025. He is also a member of BNC and BIC of the Company.

Mr. Cai was the Regional CEO for Malaysia, Indonesia and Vietnam, with responsibility for the Agency channel across markets. Prudential Service Limited, the entity through which Mr. Cai was employed, is part of Prudential Plc. Mr. Cai was ultimately a member of the Group Executive Committee of Prudential Plc. and was a Regional CEO.

# Corporate governance (continued)

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

### (e) Directors' Profile (continued)

#### (ii) CAI QIANG (continued)

In his role, he was tasked with management responsibilities at the Prudential Group level, i.e., the overall responsibility to ensure strategic direction, ensure strategic initiatives implementation, ensure risk and compliance framework implementation, ensure people and talent capability and development. Further, Malaysia, Vietnam and Indonesia's CEOs as well as the Group Chief Agency Officer (covering all global markets) were reporting to Mr. Cai. Previously, he was an executive director of China Pacific Life Insurance Co., Ltd. ("CPIC").

Mr. Cai started his career in life insurance as an agent with Equitable Life in New York city in 1992. He spent his first 10 years in insurance sales and sales management in USA, then changed to corporate management in Hong Kong serving as Chief Agency Officer and CEO of AXA Hong Kong. In 2009, Mr. Cai joined AIA as CEO of its China operation, spearheading the premier agency strategy and transforming the business into one of the largest and fastest growing business in the Group. In 2017, Mr. Cai was promoted as Regional CEO of AIA Group overseeing China, Vietnam, Taiwan, Malaysia and Myanmar markets. In 2020, Mr. Cai joined WeDoctor, one of the leading digital health platforms in China as Vice Chairman of the Board and President. In 2021, Mr. Cai was appointed as General Manager and CEO of CPIC.

Mr. Cai received numerous industry recognition including "China Finance Leader of the Year" by Phoenix TV Station, "Shanghai International Finance Elite of the Year" by International Finance News, "China Reform Elite of the Year" by China Reform Daily, "China Reform Elite of the Year" by CCTV7, "Shanghai Finance Leader of the Year"; "Insurance Person of the Year" by China Insurance News; "Insurance Influential Person of the Year" by HeXun and "Financial Innovation Award" - Powerise Leader by International Finance. In July 2016, Mr. Cai was awarded the "Executive Champion of the Year", first Asia Trusted Life Agents and Advisers Awards by Asia Insurance Review in Singapore.

Mr. Cai has more than 20 years' experience in the insurance industry and has served as CEO of Life Insurance Companies in China and Hong Kong overseeing Asian markets. He had a distinguished record of professional excellence and service during his career, where he held a range of senior roles across various financial institutions.

Mr. Cai holds a Bachelor of Science in Mechanical Engineering from Xi'an Jiaotong University, China and also holds the following professional qualifications:
(a) Chartered Life Underwriter ("CLU") from the American College (US)
(b) Chartered Financial Consultant ("ChFC") from the American College (US)
(c) Certified Financial Planner ("CFP") from CFP Board (US)

# Corporate governance (continued)

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

**(e) Directors' Profile (continued)**

**(iii) EZAMSHAH BIN ISMAIL**
Independent Non-Executive Director
Age 68, Male, Malaysian

En. Ezamshah was appointed as the Independent Non-Executive Director of Prudential BSN Takaful Berhad 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 PuBSN, 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.

En. Ezamshah is an actuarial trained professional with over 35 years of experience in the Insurance and Takaful industry, specialising in management and strategic development at a senior level. In the early years of his career, he was a consultant with William M Mercer in New York and Malaysia. The Mercer organisation is one of the world's largest in actuarial consultancy.

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).

En. Ezamshah was actively involved in several mergers and acquisitions, and new set ups. 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 of Hong Leong Tokio Marine Takaful Berhad (HLMT) and became the CEO of HLMT from July 2006 to May 2008.

Whilst being the President of Life Insurance Association of Malaysia (LIAM), he took a major role 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 En. Ezamshah 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 has been with INCEIF since 2009.

# 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, En. Ezamshah believed a company without an IT presence would not survive the future.

En. Ezamshah 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.

ESG issues have increasingly become high priority matters across various industries and En. Ezamshah believes digitalisation will strongly support transformation and improvement of business process, thereby ensuring ESG compliance.

#### (iv) MAZIDAH BINTI ABDUL MALIK

Independent Non-Executive Director
Age 67, Female, Malaysian

Puan Mazidah was appointed as Independent Non-Executive Director of Prudential BSN Takaful Berhad 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.

Puan Mazidah has over 30 years of experience working with Bank Negara Malaysia. She has held various positions in Bank Negara Malaysia in the areas of money market and liquidity management, foreign exchange reserves management, international relations, risk management, communications and central bank technical assistance, focusing on banking supervision and regulation, financial inclusion and Islamic finance.

In 1994, she was appointed as the Representative Office in New York with a portfolio of managing US dollar reserves and establishing close contacts with the Federal Reserves Bank of New York and other central banks.

In 2001, she was assigned to Labuan Offshore Financial Services Authority ("LOFSA") as Director, Corporate Affairs with the responsibility of promoting Labuan locally and internationally as a choice offshore jurisdiction. In 2006, Puan Mazidah was also part of the pioneer central bank team serving International Centre for Education in Islamic Finance (INCEIF) to undertake business development functions and promote INCEIF, specifically to Middle Eastern countries.

# Corporate governance (continued)

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

**(e) Directors' Profile (continued)**

**(iv) MAZIDAH BINTI ABDUL MALIK (continued)**

Puan Mazidah serves as Senior Independent Director of OSK Ventures International Berhad which is listed on Bursa Malaysia and OSK Holdings Berhad. Puan Mazidah was an Independent Director of Alliance Bank Malaysia Berhad and Alliance Investment Bank Berhad.

Puan 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) ZARIR BIN MOHD RAWI @ MOHD RAUF**
Non-Independent Non-Executive Director
Age 54, Male, Malaysian

En. Zarir was appointed as a Non-Independent Non-Executive Director of Prudential BSN Takaful Berhad on 1 May 2024. He is a member of the BAC, BNC and BRC.

He is currently the Chief Operating Officer of Bank Simpanan Nasional (BSN), where he provides strategic leadership and oversight in supporting the Board and Chief Executive Officer in executing the Bank's corporate strategy and mandate. His portfolio spans enterprise-wide transformation, technology and digitalisation, operational excellence, customer experience, governance, culture and values, as well as the management of large-scale operations and shared services.

With a distinguished banking career spanning nearly three decades, En. Zarir has held multiple senior leadership roles across domestic and international financial institutions. Prior to BSN, he served as Chief Operating Officer and Acting Chief Executive Officer of Al Rajhi Bank Malaysia, where he led end-to-end business and operational transformation, strengthened governance, and ensured regulatory and Shariah compliance. He was also Director of Retail Banking at Al Rajhi Bank Malaysia, driving business turnaround, growth, digital initiatives and customer experience improvements.

Earlier in his career, En. Zarir spent close to a decade with CIMB Group, including as Chief Executive Officer of iCIMB (Malaysia) Sdn Bhd and Head of Consumer Bank Operations, where he led large-scale shared services, cost optimisation, process centralisation, operational risk management and regional operations. He began his professional career at Bank Negara Malaysia, holding senior supervisory and policy roles, including Deputy Director positions in Banking Supervision, Financial Conglomerates Supervision and Financial Sector Development. During his tenure at the central bank, he contributed to regulatory frameworks, risk-based supervision, financial stability initiatives and international engagements, including secondment to the International Monetary Fund.

# Corporate governance (continued)

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

**(e) Directors' Profile (continued)**

**(v) ZARIR BIN MOHD RAWI @ MOHD RAUF (continued)**

En. Zarir brings to the Board deep expertise in banking operations, governance, risk management, digital and technology transformation, financial regulation, Islamic banking and takaful, complemented by extensive experience in leading large organisations through change.

He holds a Master of Business Administration (Finance) from International Islamic University Malaysia and a Bachelor of Accounting (Honors) from University Malaya. He is also a member of Malaysian Institute of Accountants.

**(vi) TUNKU ALIZAKRI BIN RAJA MUHAMMAD ALIAS**
Independent Non-Executive Director
Age 55, 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.

Tunku Alizakri previously served as the Chairman of Penjana Kapital Sdn Bhd which is part of the Malaysian Government's initiative to accelerate the development of its future innovation economy and was on the board of United Plantations Berhad and Petronas Dagangan Berhad. Tunku Alizakri serves on the boards of public and public listed companies such as Bumi Armada Berhad, RAM Holdings Berhad, Kuala Lumpur Kepong Berhad and CelcomDigi Berhad. He is a trustee of Yayasan Amanah Mahkota which is exploring on unlocking the natural capital of the State of Pahang. He was also a trustee of Yayasan Hasanah (the largest Malaysian foundation under Khazanah). He is also the co-founder of Roots and Shoots Malaysia which is under the auspices of the Jane Goodall Institute.

Tunku Alizakri has over 25 years management experience with his last position being the CEO of the Employees Provident Fund of Malaysia (EPF) which is one of the largest provident funds in the world (USD250bn AUM as at Dec 2020). He joined the EPF on 1 January 2014 as the Deputy CEO (Strategy) overseeing national policies on social protection, developing new EPF products and services, corporate strategy, human capital development and corporate affairs and branding. He was also an ex-officio member of the EPF Board and Investment Panel. During his time there, he launched several ground-breaking initiatives such as the first Asian provident fund to establish sustainability investment policy, set up the Malaysia Social Protection Council chaired by the Prime Minister, Malaysia@Work and the Malaysia Social Security Blueprint.

# Corporate governance (continued)

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

**(e) Directors' Profile (continued)**

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

Tunku Alizakri has extensive experience covering fund management and the financial industry, public sector administration and central banking, media and telecommunications, property development, plantations and oil and gas. He is also passionate in the areas of sustainability (advisor to the Pahang State Government on its Net Zero by 2030 ambitions) and social security and digitalisation where he served as Vice Chair of Technical Commission on Organisation, Management & Innovation of the International Social Security Association (ISSA) and the Secretary-General of Asean Social Security Association (ASSA).

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. He is also a co-founder of PAN Productions Sdn Bhd (the best musical repertoire production company in Malaysia) which has won multiple awards for excellence in the musical theatre genre since 2010. Other than producing musicals, Alizakri also performs onstage (for which he was nominated for Kakiseni's Best Supporting Actor award in 2016).

**(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.

# Corporate governance (continued)

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

### (f) Directors' Training (continued)

During the financial year ended 31 December 2025, 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**

- ESG
- Traditional Embedded Value (TEV)
- The roles of the Board of Directors and the Shariah Committee pursuant to BNM Policy Document on Hajah and Darurah
- Participants' Risk Funds Direct and Actual Expenses Management
- Responsible, Safe and Trusted AI - AI Governance
- Data Governance
- Empowering for Climate Disclosure Transition: NSRF, ISSB Standards, and GHG Assurance Readiness
- The Concept of Facilitation of Sinful Acts (Al-I'Ānah 'Alā Al-Ma'Ṣiyah) in the context of Shariah Non-Compliance
- Internal Capabilities via North Star

**FIDE**

- Board Leadership Workshop: Board's Role in Digital Transformation: Putting Words into
- Special Lecture on Global Events & Financial Industry Outlook
- Masterclass 8: Future for Climate Solutions: Unveiling Opportunities for Long-Term
- Engagement Session with FIDE FORUM Members on Bank Negara Malaysia Annual Report 2024, Economic and Monetary Review 2024 and Financial Stability Review for Second Half 2024
- Tokenising Financial Assets: What Financial Leaders Needs to Know Today
- The Influence of Board Culture on Corporate Performance
- AI's Next Wave: Chips, Code, and Localisation
- Navigating Digital Disruption: How can Boards in Financial Institutions enhance Strategic Digital Governance
- MyFintech Week 2025
- Cloud for Directors of Regulated Financial Institutions – 22 Sept 2025
- FIDE Core Program 2025 (Insurance)

**Others**

- Carbon Markets: What Directors Need to Know
- Malaysia Takaful Association (MTA) Hijrah Roadshow on Strategic Trusts & Initiatives
- UOB Talk on Innovation
- Asia 2030 - Kuala Lumpur Roundtable : Emerging Risks and Opportunities - Hosted by Marsh McLennan
- PWC AI Leadership Conference 2025

# Corporate governance (continued)

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

**(f) Directors' Training (continued)**

**Others (continued)**

- Training Session on E-Invoicing and Service Tax
- 19th Muzakarah Cendekiawan Syariah Nusantara (MUZAKARAH2025)
- ICDM PowerTalk - Reverse Governance: What if the Algorithm Assesses the Board?
- "Climate First….or Last?" by Prof Mak Yuen Teen and Tina Thomas
- Strengthening Cyber Resilience: A Strategic Priority for Boards & Senior Management
- ACE DMD201D (MC) AI for Business Leaders
- Mobile World Capital (MWC) Barcelona: Converge. Connect
- Khazanah Megatrends Forum 2025: Debugging Uncertainty
- Gartner 2025 Executive Roundtable on Feb 26th - Panelist
- Forum Pengupayaan Pelajar Tahun Akhir - Panelist
- Gartner CIO Leadership Forum, Sydney
- Winning with AI and Hybrid Cloud: Optimising Strategies for the Future
- BCM Awareness Session for Board and Senior Management
- Kursus Pengenalan Standard ISO 45001:2018 (OSH Management System)
- Gartner Executive Roundtable on Gen Ai trends and best practices - Panelist
- Strategic Approach to Cyber Resilience and Compliance Program - Board & Senior Management
- Briefing and Awareness Session on the Near Real-Time Settlement (NRTS) Initiative
- Microsoft AI Tour KL - Executive Connection
- Cybersecurity and Cloud Risk Management Briefing to the BSN Board and Senior Management
- Climate Governance, Financial Inclusion & Strategic Resilience
- In House Training for Board, SC, C-Suites & Manco (S2, 2025) - Shariah Strategic
- Masterclass Speaker: Prof. Dato' Dr. Aznan Hasan

# Corporate governance (continued)

**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 26 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 IA 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
- (iv) Manages the business in accordance with the control framework laid out in the strategies, policies and risk parameters set by the Board, 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.

# Corporate governance (continued)

## 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 | Zarir bin Mohd Rawi @ Mohd Rauf | Member, Non-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.

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 IA 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 who is independent director 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.

# Corporate governance (continued)

**5. Board Audit Committee (BAC) (continued)**

**(b) Meetings (continued)**

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 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.

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 third-party opinions on the design and effectiveness of the Company's internal control framework;

# Corporate governance (continued)

## 5. Board Audit Committee (BAC) (continued)

### (c) Roles and Responsibilities of the BAC (continued)

(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

(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 six (6) times during the financial year ended 31 December 2025 with timely notices of issues to be discussed. Details of the attendance of each BAC member are as follows:

| Director | Attendance |
| --- | --- |
| Ezamshah bin Ismail | 6/6 |
| Mazidah binti Abdul Malik | 6/6 |
| Zarir bin Mohd Rawi @ Mohd Rauf | 5/6 |

# Corporate governance (continued)

## 5. Board Audit Committee (BAC) (continued)

### (d) Activities (continued)

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, independent credit risk review, annual compliance plan, compliance framework, 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 and valuation assumptions and experience studies.

Other reviews by the BAC include the review of Unaudited Condensed Interim Financial Statement and GwIA’s annual performance including weightage of GwIA performance metrics for year 2025.

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, Independent Non-Executive Director |
| 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.

# Corporate governance (continued)

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

### (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 at least two (2) members of the Committee. When the Chairman of the BRMC is not available to attend a meeting, the remaining BRMC members should agree for one member to act as the chairperson for the meeting and document as such in the minutes of meeting. 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.

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.

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;

# Corporate governance (continued)

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

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

(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;

(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;

(xvi) overseeing investment related matters from enterprise risk perspective; and

(xvii) overseeing Climate Risk Management.

# Corporate governance (continued)

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

### (d) Activities

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

The BRMC met four (4) times during the financial year ended 31 December 2025 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 | 4/4 |
| Ezamshah bin Ismail | 4/4 |
| Rossana Annizah binti Ahmad Rashid | 3/4 |
| Tunku Alizakri bin Raja Muhammad Alias | 3/4 |

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 economic risks that could impact the Company in 2025 as well as risk assessment on key projects undertaken by the Company. In performing its oversight function over technology-related matters pursuant to the BNM policy document on risk management in technology, the BRMC also considered the quarterly updates on technology and information security risks by the Head of Technology Risk and matters discussed at the IT Steering Committee and IT budget utilisation. The BRMC also reviewed the the policy refresh plan, business control report, climate-related financial disclosure (TCFD) report 2024, risk framework, annual review of management of mortality and morbidity risk (MMMR) policy and the annual review of family takaful surplus and investment profit management policy.

Other reviews by the BRMC include the review of its TOR, the TOR of Risk Management Committee (RMC), independent credit risk review and 2024 climate risk stress testing (CRST) exercise. 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. 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, Independent Non-Executive Director |
| 5 | Solmaz Altin (resigned w.e.f. 25 August 2025) | Member, Non-Independent Executive Director |
| 6 | Cai Qiang (appointed w.e.f. 25 August 2025) | 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 four (4) times during the financial year ended 31 December 2025 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 | 3/4 |
| Mazidah binti Abdul Malik | 4/4 |
| Ezamshah bin Ismail | 4/4 |
| Rossana Annizah Binti Ahmad Rashid | 4/4 |
| Solmaz Altin (resigned w.e.f. 25 August 2025) | 2/3 |
| Cai Qiang (Appointed w.e.f. 25 August 2025) | 0/1 |

The BIC reviewed the investment performance, operations & controls, investment policies and strategies, including investment funds' strategic asset allocation (SAA), tactical asset allocation (TAA) range and investment related policies. The BIC also reviewed its TOR, the TOR for the Management Investment Committee (MIC), fund managers' investment performance including due diligence and the appointment of new fund managers.

Additionally, the BIC reviewed the quarterly updates on Asset-Liability Dollar Duration, Fund Assessment, investment compliance status, risk management reporting updates and Capital Adequacy Ratio and Economic Sensitivities. The BIC also reviewed the fund portfolio diversification road map and independent credit risk review.

**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 | Solmaz Altin (resigned w.e.f. 25 August 2025) | Member, Non-Independent Executive Director |
| 4 | Rossana Annizah binti Ahmad Rashid | Member, Independent Non-Executive Director |
| 5 | Tunku Alizakri bin Raja Muhammad Alias | Member, Independent Non-Executive Director |
| 6 | Zarir bin Mohd Rawi @ Mohd Rauf | Member, Non-Independent Non-Executive Director |
| 7 | Cai Qiang (appointed w.e.f. 25 August 2025) | Member, Non-Independent 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.

# Corporate governance (continued)

## 8. Nominations and Remuneration Committees (continued)

### (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.

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 seven (7) times during the financial year ended 31 December 2025 with timely notices of issues to be discussed. Details of the attendance of each BNC member are as follows:

| Director | Attendance |
|---|---|
| Ezamshah bin Ismail | 7/7 |
| Mazidah binti Abdul Malik | 7/7 |
| Solmaz Altin (resigned w.e.f. 25 August 2025) | 3/4 |
| Rossana Annizah binti Ahmad Rashid | 7/7 |
| Tunku Alizakri bin Raja Muhammad Alias | 6/7 |
| Zarir bin Mohd Rawi @ Mohd Rauf | 7/7 |
| Cai Qiang (appointed w.e.f. 25 August 2025) | 2/3 |

# Corporate governance (continued)

**8. Nominations and Remuneration Committees (continued)**

**(d) Activities (continued)**

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.

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, Independent Non-Executive Director |
| 4 | Zarir bin Mohd Rawi @ Mohd Rauf | Member, Non-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; and

(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.

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.

# Corporate governance (continued)

## 8. Nominations and Remuneration Committees (continued)

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

To reinforce sustainable long term business performance, the Company's Long Term Incentive Plan (LTIP) is designed to reward employees for their contribution to the long term value creation of PruBSN. LTIP awards are discretionary and are granted based on a balanced assessment of individual performance, future potential, long term value to the Company and retention considerations.

All LTIP awards vest only after a prescribed period and are strictly subject to continued employment during the vesting period. Vesting and award levels are guided by the criticality of the role, sustained performance over the assessment period and long term contribution to PruBSN, ensuring alignment with prudent risk management and the Company's strategic objectives.

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 three (3) times during the financial year ended 31 December 2025 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 | 3/3 |
| Ezamshah bin Ismail | 3/3 |
| Rossana Annizah binti Ahmad Rashid | 3/3 |
| Zarir bin Mohd Rawi @ Mohd Rauf | 3/3 |

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 21.

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.

## Corporate governance (continued)

**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. Akhtarzaite binti Abdul Aziz | Chairman |
| 2 | Assoc. Prof. Dr. Sa'id Adekunle Mikail | Member |
| 3 | Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi | Member |
| 4 | Assoc. Prof. Dr. Kamaruzaman bin Noordin | Member |
| 5 | Assoc. Prof. Dr. Abdul Manan bin Ismail | Member |

**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;

# Corporate governance (continued)

## 11. Shariah Committee (SC) (continued)

### (a) Authority (continued)

(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;

(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 nine (9) times during the financial year ended 31 December 2025 with timely notices of issues to be discussed. Details of the attendance of each SC member are as follows:

| Name | Attendance |
|---|---|
| Dr. Akhtarzaite binti Abdul Aziz (Chairman) | 9/9 |
| Assoc. Prof. Dr. Sa'id Adekunle Mikail | 9/9 |
| Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi | 9/9 |
| Assoc. Prof. Dr. Kamaruzaman bin Noordin | 9/9 |
| Assoc. Prof. Dr. Abdul Manan bin Ismail | 9/9 |

## Other statutory information

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

1. all known bad 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 bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent;

2. that would render the value attributed to the current assets in the financial statements of the Company misleading;

3. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate;

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.

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

## 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 2025 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, Ernst & Young PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM905,030 as disclosed in Note 15(b) of the financial statements.

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

..........................................................
Rossana Annizah binti Ahmad Rashid

..........................................................
Ezamshah bin Ismail

Date: 5 March 2026

# 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 2025.

We, the members of the Prudential BSN Takaful Berhad's Shariah Committee, are responsible for advising the Board of Directors in the oversight and management of Shariah matters in the business implementation. Among others, our main responsibility and accountability is to assist the Board of Directors 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 Malaysia financial regulators.

We had nine (9) meetings during the financial year where we 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 compliance 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. Furthermore, the outcomes of the self-attestation exercise via the annual Internal Shariah Control Questionnaires (ISCQ) performed by the business functions have provided additional assurance that the Shariah non-compliance risks related to the business, operations, activities and affairs within PruBSN have been comprehensively identified and properly addressed.

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 with 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 management 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 BNM Operational Risk Reporting (ORR) Policy Document.

## Shariah Committee's Report (continued)

The effectiveness of Shariah non-compliance reporting requirement significantly 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. In view of this, various internal discussions and training have been carried out mainly with the Risk Coordinators and Compliance Champions from all the departments in Prudential BSN Takaful Berhad. We have exercised the authority to make the final decision on each of the incidents reported to us based on the following Shariah non-compliance classifications:

- Classification 1: The existence of elements that lead to the construction of a void contract (*batil*).

  A *batil* (void) contract is defined as a contract which is illegal in its *asl* (pillars) as well as its *wasf* (external attribute). From the Shariah point of view, a *batil* contract does not produce legal effects of that contract. There is no exchange of financial rights and responsibilities due to it. Such *batil* (void) contract must be properly re-executed.

- Classification 2: The existence of any prohibited elements that causes the contract to be defective contract (*fasid*).

  A contract that is *fasid* (defective) is one that is legal in its asl (pillars) but is not legal in its *wasf* (accessory circumstances or external attributes) of the contract. In a *fasid* (irregular) contract, elements are present, and all the essential conditions are complete; however, an external attribute included in this contract is forbidden by Shariah. Once the intolerable elements are eliminated, the contract becomes *sahih* (valid) thus the income becomes *halal* (lawful).

- Classification 3: Breach of the takaful operator's fiduciary duty.

  Takaful operator shall exercise its liabilities and duties as explicitly stipulated in the contracts and in accord with market practice. Takaful operator must fulfill its contractual duties as a *wakil* (agent) or a *muḍarib* (entrepreneur), as the case may be, as expected by the takaful participants and according to the standards set by the regulator.

- 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 at all times in our business, operations, activities and affairs. 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.

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

  Failure to adhere with the statutory or regulatory requirements would be addressed under Classification 3 above. This classification specifically for regulatory provisions that deal directly with Shariah e.g. Bank Negara Malaysia's Policy Documents related to Shariah (Shariah Standards) such Policy Document on *Wakalah*, *Mudarabah*, *Hibah*, *Qard*, *Ijarah* and so on.

## Shariah Committee's Report (continued)

- 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: Failure to comply with Shariah Requirements by PruBSN's Intermediaries

  This classification is related to the situations where the incidents performed by the intermediaries such as agents and bancatakaful representatives. Further assessment must be done to ascertain whether there is proper control and governance in place to mitigate the incidents such as fraud, misconduct or any malpractices from the intermediaries.

- Classification 8: Failure to comply with other governance or parameters that may lead to Shariah non-compliance.

  It is pertinent to ensure the provisions and requirements of the Shariah governance framework is being adhered to. This includes adherence to the framework and all relevant Shariah policies and Standard Operating Procedures.

Nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Company involve any material Shariah non-compliances.

During the year 2025, 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 training modules. Both e-learning modules are mandatory online programs to keep the staff abreast with updated Shariah and Takaful knowledge. As part of the effort to further inculcate Shariah compliance and awareness culture, in addition to the formal training, the Shariah Department has organised twenty-one (21) Islamic programs and activities for the staff throughout year 2025.

Prudential BSN Takaful Berhad agents are provided with a comprehensive learning and development program that covers Shariah and Takaful modules. 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, PruBSN has introduced the Certified Islamic Wealth Planner module for agents in year 3 and above. This classroom training is designed to equip agents with comprehensive knowledge of Islamic financial principles and wealth management strategies, enabling them to provide more informed and effective advice to their clients. For BancaTakaful intermediaries and Islamic Financial Adviser Representative, there were seven (7) classroom sessions conducted by Shariah Department to equip them with sufficient understanding on Shariah and Takaful.

## 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 our accountability to ensure Shariah compliance, in our opinion:

1. The operations, business, activities and affairs within Prudential BSN Takaful Berhad during the financial year ended 31 December 2025, 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 2025 have been conducted in conformity with Shariah principles.

On behalf of the Shariah Committee;

Chairman of the Shariah Committee: ..............................................
Dr. Akhtarzaite Abdul Aziz

Member of Shariah Committee: ..............................................
Dr. Sa'id Adekunle Mikail

Kuala Lumpur,

Date: 5 March 2026

# Prudential BSN Takaful Berhad
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

## Statements of financial position as at 31 December 2025

| | | Family Takaful Fund | | Company | |
|---|---|---|---|---|---|
| | | **2025** | **2024** | **2025** | **2024** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Assets** | | | | | |
| Property and equipment | 3 | - | - | 25,729 | 23,174 |
| Right-of-use assets | 4 | - | - | 42,754 | 48,606 |
| Intangible assets | 5 | - | - | 169,205 | 180,613 |
| Investments | 6 | 7,459,653 | 6,688,488 | 8,387,436 | 7,565,972 |
| Takaful certificate assets | 7 | 126,617 | 127,583 | 456,052 | 474,656 |
| Retakaful certificate assets | 7 | 47,992 | 78,156 | 47,097 | 77,321 |
| Other receivables | 8 | 169,283 | 163,322 | 191,123 | 166,313 |
| Cash and cash equivalents | 9 | 281,452 | 312,294 | 361,941 | 392,098 |
| **Total assets** | | 8,084,997 | 7,369,843 | 9,681,337 | 8,928,753 |
| | | | | | |
| **Equity** | | | | | |
| Share Capital | 10 | - | - | 100,000 | 100,000 |
| Retained earnings | | - | - | 1,974,953 | 1,760,265 |
| Revaluation reserve | | - | - | 1,925 | 1,925 |
| **Total equity** | | - | - | 2,076,878 | 1,862,190 |
| | | | | | |
| **Liabilities** | | | | | |
| Takaful certificate liabilities | 7 | 7,767,027 | 7,065,716 | 6,837,335 | 6,375,933 |
| Retakaful certificate liabilities | 7 | 34,912 | 34,912 | 25,824 | 25,825 |
| Other payables | 11 | 249,064 | 239,166 | 56,639 | 33,850 |
| Lease liabilities | 4 | - | - | 54,680 | 56,249 |
| Subordinated sukuk | 12 | - | - | 160,000 | 160,000 |
| Current tax liabilities | | 822 | 10,494 | 4,020 | 11,060 |
| Deferred tax liabilities | 13 | 33,172 | 19,555 | 465,961 | 403,646 |
| **Total liabilities** | | 8,084,997 | 7,369,843 | 7,604,459 | 7,066,563 |
| | | | | | |
| **Total equity and liabilities** | | 8,084,997 | 7,369,843 | 9,681,337 | 8,928,753 |

The accompanying notes on pages 47 to 140 form an integral part of the financial statements.

## Prudential BSN Takaful Berhad

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

# Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2025

| | | Family Takaful Fund | | Company | | Group * |
|---|---|---|---|---|---|---|
| | | 2025 | 2024 | 2025 | 2024 | 2024 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Takaful revenue | 14 | 1,801,603 | 1,568,489 | 2,802,352 | 2,484,870 | 2,484,870 |
| Takaful service expense | 15 | (1,566,608) | (1,455,428) | (2,338,055) | (2,228,128) | (2,228,128) |
| **Takaful service result before retakaful certificates held** | | 234,995 | 113,061 | 464,297 | 256,742 | 256,742 |
| Net income from retakaful certificates held | 16 | 24,005 | 16,940 | 21,934 | 15,280 | 15,280 |
| **Takaful service result** | | 259,000 | 130,001 | 486,231 | 272,022 | 272,022 |
| Net investment income | 17 | 244,369 | 222,302 | 268,233 | 240,438 | 242,569 |
| Realised (losses)/gains | 18 | (114,125) | 30,328 | (111,340) | 30,766 | 30,481 |
| Fair value gains | 19 | 170,217 | 359,173 | 170,453 | 361,168 | 360,104 |
| **Total investment income** | | 300,461 | 611,803 | 327,346 | 632,372 | 633,154 |
| Takaful finance expenses for takaful certificates issued | 20 | (521,624) | (689,543) | (463,755) | (639,244) | (639,244) |
| Retakaful finance expenses for retakaful certificates held | 20 | (24,005) | (16,940) | (24,005) | (16,940) | (16,940) |
| **Net takaful financial result** | | (545,629) | (706,483) | (487,760) | (656,184) | (656,184) |
| Other income/(expenses) | | 452 | 751 | (22,599) | (9,092) | (9,381) |
| **Profit before zakat and taxation** | | 14,284 | 36,072 | 303,218 | 239,118 | 239,611 |
| Tax expense attributable to participants | 24 | (14,284) | (36,072) | (14,284) | (36,072) | (36,072) |
| Tax expense attributable to takaful operator | 24 | - | - | (73,980) | (57,921) | (57,921) |
| Zakat | | - | - | (266) | (550) | (550) |
| **Net profit for the year** | | - | - | 214,688 | 144,575 | 145,068 |

* The Group's net profit and total comprehensive income for the year include the Group's interest in Principal Islamic Malaysia Government Sukuk Fund up to the date on which control was lost and the subsidiary was deconsolidated. The effects of this deconsolidation are disclosed in Note 32.

The accompanying notes on pages 47 to 140 form an integral part of the financial statements.

# Statements of changes in equity for the financial year ended 31 December 2025

| | Share capital (Note 10) RM'000 | Revaluation reserves RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **At 1 January 2024** | 100,000 | 1,925 | 1,615,690 | 1,717,615 |
| Net profit and total comprehensive income for the year | - | - | 145,068 | 145,068 |
| **At 31 December 2024** | 100,000 | 1,925 | 1,760,758 | 1,862,683 |

* The Group's net profit and total comprehensive income for the year include the Group's interest in Principal Islamic Malaysia Government Sukuk Fund up to the date on which control was lost and the subsidiary was deconsolidated. The effects of this deconsolidation are disclosed in Note 32.

| | Share capital (Note 10) RM'000 | Revaluation reserves RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **At 1 January 2024** | 100,000 | 1,925 | 1,615,690 | 1,717,615 |
| Net profit and total comprehensive income for the year | - | - | 144,575 | 144,575 |
| **At 31 December 2024** | 100,000 | 1,925 | 1,760,265 | 1,862,190 |
| Net profit and total comprehensive income for the year | - | - | 214,688 | 214,688 |
| **At 31 December 2025** | 100,000 | 1,925 | 1,974,953 | 2,076,878 |

The accompanying notes on pages 47 to 140 form an integral part of the financial statements.

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

## Statements of cash flows for the financial year ended 31 December 2025

| | | Company | | Group * |
|---|---|---|---|---|
| | | 2025 | 2024 | 2024 |
| | Note | RM'000 | RM'000 | RM'000 |
| Profit before zakat and taxation | | 303,218 | 239,118 | 239,611 |
| Adjustments for: | | | | |
| Depreciation of property and equipment | 3 | 3,748 | 2,969 | 2,969 |
| Depreciation of right-of-use assets | 4 | 5,095 | 4,446 | 4,446 |
| Write-off of intangible assets and property and equipment | 3,5 | 3,804 | 3,867 | 3,867 |
| Amortisation of intangible assets | 5 | 28,628 | 20,254 | 20,254 |
| Investment income | 17 | (268,233) | (240,438) | (242,569) |
| Realised losses/(gains) on disposal of investments | 6,18 | 111,340 | (30,766) | (30,481) |
| Fair value gains on investments | 19 | (170,453) | (361,168) | (360,104) |
| (Gain)/Loss on disposal of property and equipment | | (1) | 37 | 37 |
| Operating profit/(loss) before changes in operating assets and liabilities | | 17,146 | (361,681) | (361,970) |
| Decrease in takaful certificate assets | 7 | 18,604 | 19,595 | 19,595 |
| Decrease/(Increase) in retakaful certificate assets | 7 | 30,224 | (43,495) | (43,495) |
| (Increase)/Decrease in other receivables | | (14,869) | 10,377 | 10,377 |
| Increase in takaful certificate liabilities | 7 | 461,402 | 852,266 | 852,266 |
| Decrease in retakaful certificate liabilities | 7 | (1) | (37) | (37) |
| Increase/(Decrease) in other payables | | 22,162 | (16,777) | (16,845) |
| Tax paid | | (32,989) | (20,400) | (20,400) |
| **Net cash inflow from operating activities** | | **501,679** | **439,848** | **439,491** |
| **Cash flows from investing activities** | | | | |
| Investment in intangible assets | 5 | (20,891) | (39,147) | (39,147) |
| Investment income received | | 262,083 | 236,625 | 247,792 |
| Proceeds from maturity/disposal of investments | 6 | 110,749,472 | 52,208,677 | 52,365,041 |
| Proceeds from disposal of property and equipment | | 4 | 46 | 46 |
| Purchase of property and equipment | 3 | (6,439) | (2,485) | (2,485) |
| Purchase of investments | 6(b) | (111,511,823) | (52,936,219) | (53,055,988) |
| **Net cash outflow from investing activities** | | **(527,594)** | **(532,503)** | **(484,741)** |

# Statements of cash flows for the financial year ended 31 December 2025

| | | Company | | Group * |
|---|---|---|---|---|
| | | 2025 | 2024 | 2024 |
| | | RM'000 | RM'000 | RM'000 |
| **Cash flows from financing activities** | | | | |
| Payment of lease liabilities | 4 | (4,242) | (3,684) | (3,684) |
| Issuance of subordinated sukuk | 12 | - | 60,000 | 60,000 |
| **Net cash (outflow)/inflow from financing activities** | | **(4,242)** | **56,316** | **137,419** |
| **Net (decrease)/increase in cash and cash equivalents** | | (30,157) | (36,339) | 92,169 |
| **Cash and cash equivalents at 1 January** | | 392,098 | 428,437 | 442,455 |
| **Cash and cash equivalents at 31 December** | **9** | **361,941** | **392,098** | **534,624** |

* The Group's net profit and total comprehensive income for the year include the Group's interest in Principal Islamic Malaysia Government Sukuk Fund up to the date on which control was lost and the subsidiary was deconsolidated. The effects of this deconsolidation are disclosed in Note 32.

The accompanying notes on pages 47 to 140 form an integral part of the financial statements.

# 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 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 holding and ultimate holding company is 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 5 March 2026.

**1. Basis of preparation**

**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards, IFRS Accounting Standards 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.

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 and amendments to standards of the MFRS Accounting Standards and IFRS Accounting Standards that have been issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standards Board ("IASB"):

**1. Basis of preparation (continued)**

**(a) Statement of compliance (continued)**

***MFRSs and amendments to MFRSs effective for annual periods beginning on or after 1 January 2025***

(i) Amendments to MFRS 121, *Lack of exchangeability*

***MFRSs and amendments to MFRSs effective for annual periods beginning on or after 1 January 2026***

(i) Amendments to the Classification and Measurement of Financial Instruments (Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures* )
(ii) Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
(iii) Amendments to MFRS 7, *Financial Instruments: Disclosures*
(iv) Amendments to MFRS 9, *Financial Instruments*
(v) Amendments to MFRS 10, *Consolidated Financial Statements*
(vi) Amendments to MFRS 107, *Statement of Cash Flows*

***MFRSs and amendments to MFRSs effective for annual periods beginning on or after 1 January 2027***

(i) MFRS 18 *Presentation and Disclosure in Financial Statements*
(ii) MFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The Company has adopted all standards and amendments to standards effective for annual periods beginning on or after 1 January 2025. The Company plans to apply the abovementioned accounting standards and amendments to standards in the financial years in which they first become effective.

**(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.

**1. Basis of preparation (continued)**

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with MFRSs and IFRSs 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 below:

**(i) Takaful and retakaful certificates**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**(1) The methods used to measure takaful certificates**

The Company primarily uses deterministic projections to estimate the present value of future cash flows.

The following assumptions were used when estimating future cash flows:

- **Mortality and morbidity rates**

  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.

- **Expenses**

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force certificates and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation and growth of business size if appropriate.

  An increase in the expected level of expenses will reduce future expected profits of the Company.

  The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates.

**1. Basis of preparation (continued)**

**(d) Use of estimates and judgements (continued)**

**(i) Takaful and retakaful certificates (continued)**

**(1) The methods used to measure takaful certificates (continued)**

- **Persistency**

  Persistency assumption is determined using statistical measures based on the Company's experience and vary by product type and certificate duration.

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

**(2) Discount rates**

Family takaful certificate liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid government bonds. The illiquidity premium is determined by reference to observable market rates e.g. private debt securities.

Discount rates applied for discounting of future cash flows are listed below:

| | Portfolio duration | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 year | | 3 year | | 5 year | | 10 year | | 15 year | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| **Takaful certificates issued (%)** | 3.01 | 3.43 | 3.19 | 3.53 | 3.41 | 3.65 | 3.67 | 3.87 | 3.94 | 4.06 |
| **Retakaful certificates held (%)** | 3.01 | 3.43 | 3.19 | 3.53 | 3.41 | 3.65 | 3.67 | 3.87 | 3.94 | 4.06 |

**1. Basis of preparation (continued)**

**(d) Use of estimates and judgements (continued)**

**(i) Takaful and retakaful certificates (continued)**

**(3) Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful certificates and covers takaful risk, lapse risk and expense risk. The risk adjustment reflects an amount that a takaful operator would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Company has estimated the risk adjustment at 75% confidence level, which is align with the requirement by Bank Negara Malaysia under the Risk-Based Capital Takaful Framework.

**(4) Amortisation of the Contractual Service Margin ("CSM")**

The CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of takaful certificates is recognised in statement of profit or loss as takaful revenue in each period to reflect the services provided under the group of takaful certificates in that period. The amount is determined by:

- Identifying the coverage units in the group.
- Allocating the CSM at the end of the period (before recognising any amounts in statement of profit or loss to reflect the services provided in the period) to each coverage unit provided in the current period and expected to be provided in the future.
- Recognising in statement of profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of coverage provided by the certificates in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration. For groups of family takaful contracts, the quantity of benefit is the contractually agreed sum covered over the duration of the contracts. The total coverage units of each group of takaful certificates are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of certificates in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

The accounting policies related to the accounting of takaful and retakaful certificates are discussed in further details at Note 2(f).

## 2. Material accounting policies information

The material 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.

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 in “takaful service expenses" in statement of 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 statement of 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 statement of profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

**2. Material accounting policies information (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 statement of 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 statement of 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 statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

| | |
|---|---|
| Software development cost and computer software | 3 - 10 years |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

**2. Material accounting policies information (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 described in Note 2(a)(i).

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 the Company entities' incremental profit rate. Generally, the Company use its incremental borrowing rate as the discount rate.

**2. Material accounting policies information (continued)**

**(c) Leases (continued)**

**(ii) Recognition and initial measurement (continued)**

As a lessee (continued)

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 statement of 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.

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 statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**2. Material accounting policies information (continued)**

**(d) Financial assets and Financial Liabilities**

***Financial assets***

**(i) Classification and measurement**

The classification and measurement of financial instruments depends on their contractual cash flow characteristics ("SPPI test") and the business model for managing the instruments.

**a. Business model assessment**

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

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);

- The expected frequency, value and timing of asset sales are also important aspects of the Company’s assessment.

**b. Solely Payments of Principal and Interest ("SPPI") test**

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time - e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

**2. Material accounting policies information (continued)**

**(d) Financial assets and Financial Liabilities (continued)**

***Financial assets (continued)***

**(i) Classification and measurement (continued)**

Based on the business model assessment and SPPI test, the Company classified and measured the financial assets into the following:

(1) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

Subsequently, financial assets at amortised cost are measured at amortised cost, using the effective interest rate ("EIR") method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Expected credit loss ("ECL") are recognised in the statement of profit or loss when the investments are impaired.

The Company classifies deposits and other receivables at amortised cost.

(2) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if the financial assets are held for trading or are managed on a fair value basis (including derivatives). Other financial assets with contractual cash flow that are not solely payments of principal and interest, regardless of its business model are classified as FVTPL.

Certain financial assets that otherwise meets the requirements to be either measured at amortised cost or at FVOCI, may irrevocably be designated at FVTPL on initial recognition, when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These investments are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All subsequent fair value adjustments are recognised through statement of profit or loss.

The Company irrevocably designate debt securities at FVTPL as it significantly reduced the accounting mismatch of the measurement of the Takaful Certificate Liabilities. Equity is also classified and measured at FVTPL.

**2. Material accounting policies information (continued)**

**(d) Financial assets and Financial Liabilities (continued)**

***Financial assets (continued)***

**(i) Classification and measurement (continued)**

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**(ii) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

**(iii) Impairment of financial assets**

The Company recognises loss allowances for ECL on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

**2. Material accounting policies information (continued)**

**(d) Financial assets and Financial Liabilities (continued)**

***Financial assets (continued)***

**(iii) Impairment of financial assets (continued)**

Financial instruments for which 12-month ECL are recognised are referred to as ‘Stage 1 financial instruments’. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

- **Measurement of ECL**

  ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

- **Credit-impaired financial assets**

  At each reporting date, the Company assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

  Evidence that a financial asset is credit-impaired includes the following observable data:
  - significant financial difficulty of the debtor;
  - a breach of contract such as a default or past-due event;
  - the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
  - the debtor entering bankruptcy or other financial reorganisation becoming probable; or
  - the disappearance of an active market for a security because of financial difficulties.

  In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:
  - the market’s assessment of creditworthiness as reflected in bond yields;
  - the rating agencies’ assessments of creditworthiness;
  - the country’s ability to access the capital markets for new debt issuance; and
  - the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

**2. Material accounting policies information (continued)**

**(d) Financial assets and Financial Liabilities (continued)**

***Financial assets (continued)***

**(iv) Write off of financial assets**

An estimate is made for doubtful debts based on our view of all outstanding balances as at reporting date. Any financial assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business will be written down to an amount which they might be expected to realise.

***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 statement of profit or loss.

**(e) Takaful and retakaful certificates classification**

The Company issues takaful certificates in the normal course of business, under which it accepts significant takaful risk from participants of the Participant Risk Fund. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits payable after a covered event with benefits payable if the covered event had not occurred. Takaful certificates can also transfer financial risk.

The Company does not issue retakaful certificates.

**(f) Takaful and retakaful certificates accounting treatment**

**(i) Separating components from takaful and retakaful certificates**

The Company assesses its family takaful certificates to determine whether they contain distinct components which must be accounted for under another MFRS rather than MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) takaful certificate. Currently, the Company’s products do not include distinct components that require separation.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(i) Separating components from takaful and retakaful certificates (continued)**

Some term family takaful certificates issued by the Company include a surrender option under which the surrender value is paid to the participant on maturity or earlier lapse of the certificate. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17. MFRS 17 defines investment components as the amounts that a takaful certificate requires a takaful operator to repay to a participant in all circumstances, regardless of whether a covered event occurs. Investment components which are highly interrelated with the takaful certificate of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of statement of profit or loss. The surrender options are considered non-distinct investment components as the Company is unable to measure the value of the surrender option component separately from the family takaful portion of the certificate.

**(ii) Level of aggregation**

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest ‘unit’, i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). MFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has defined portfolios of takaful certificates issued based on its product lines due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Company has elected to include in the same group contracts where its ability to set prices or levels of benefits for participants with different characteristics is constrained by regulation.

The takaful certificates portfolios are divided into:
- A group of contracts that are onerous at initial recognition.
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently.
- A group of the remaining contracts in the portfolio.

The retakaful certificates held portfolios are further divided into:
- A group of contracts on which there is a net gain on initial recognition.
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition.
- A group of the remaining contracts in the portfolio.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(iii) Recognition**

The Company recognises groups of takaful certificates that it issues from the earliest of the following:

- The beginning of the coverage period of the group of certificates.
- The date when the first payment from a participant in the group is due, or when the first payment is received if there is no due date.
- For a group of onerous certificates, as soon as facts and circumstances indicate that the group is onerous.

The Company recognises a group of retakaful certificates held:
- If the retakaful certificates provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying certificate.
- In all other cases, from the beginning of the coverage period of the first certificate in the group.

The retakaful certificates held by the Company provide proportionate cover. Therefore the Company does not recognise a proportional retakaful certificate held until at least one underlying direct takaful certificate has been recognised. Groups of retakaful certificate held are recognised when the coverage of the first underlying certificate starts.

**(iv) Onerous groups of contracts**

The Company issues some certificates before the coverage period starts and the first contribution becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous certificates before the earlier of the beginning of the coverage period and the date when the first payment from a participant in the group is due. The Company looks at facts and circumstances to identify if a group of certificates are onerous based on:

- Pricing information.
- Results of similar certificates it has recognised.
- Environmental factors, e.g., a change in market experience or regulations.

**(v) Contract boundary**

The Company includes in the measurement of a group of takaful certificates all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a takaful certificate if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the participant to pay the contributions, or in which the Company has a substantive obligation to provide the participant with services. A substantive obligation to provide services ends when:

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(v) Contract boundary (continued)**

- The Company has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

- Both of the following criteria are satisfied:
  - the Company has the practical ability to reassess the risks of the portfolio of takaful certificates that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
  - The pricing of the contributions for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected contributions or claims outside the boundary of the takaful certificate are not recognised. Such amounts relate to future takaful certificates.

For takaful certificates with renewal periods, the Company assesses whether contributions and related cash flows that arise from the renewed certificate are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the participant by the Company. The Company considers when underwriting equivalent certificates on the renewal dates for the remaining coverage. The Company reassess contract boundary of each group at the end of each reporting period.

**(vi) Measurement - certificates not measured under PAA**

**(i) Takaful certificates – initial measurement**

On initial recognition, the Company measures a group of takaful certificates as the total of:

- Fulfilment cash flows.
- A CSM representing the unearned profit the Company will recognise as it provides service under the takaful certificates in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vi) Measurement - certificates not measured under PAA (continued)**

**(i) Takaful certificates – initial measurement (continued)**

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Contributions and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to participants.
- An allocation of takaful acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs.
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates.
- Transaction-based taxes.

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing certificates based on information obtained, including:

- Information about claims already reported by participants.
- Other information about the known or estimated characteristics of the takaful certificates.
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes takaful acquisition cash flows which are allocated as a portion of contribution to statement of profit or loss (through takaful revenue) over the period of the certificate on a straight line basis.

The Company's CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Company will recognise as it provides services in the future. The Company measures the CSM on initial recognition at an amount that, unless the group of certificates is onerous, results in no income or expenses arising from:

- Initial recognition of the fulfilment cash flows.
- Derecognition at the date of initial recognition of any asset or liability recognised for takaful acquisition cash flows.
- Any cash flows arising from the certificates in the group at that date.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vi) Measurement - certificates not measured under PAA (continued)**

**(i) Takaful certificates - initial measurement (continued)**

For groups of certificates assessed as onerous, the Company has recognised a loss in statement of profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component has been established by the Company for the liability for remaining coverage for an onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2(f)(vi)(v)(ii).

The liability for remaining coverage is the Company's obligation to investigate and pay valid claims for covered events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the coverage period) and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under a takaful certificate plus the CSM for that certificate.

The liability for incurred claims is the Company's obligation to investigate and pay valid claims for covered events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred takaful expenses. At initial recognition of a group of contracts, the liability for incurred claims is usually nil as no covered events have occurred.

**(ii) Retakaful certificates - initial measurement**

The measurement of retakaful certificates held follows the same principles as those for takaful certificates issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the retakaful operators, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the retakaful operator.
- The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to statement of profit or loss as the retakaful operator renders services, except for any portion of a day 1 loss that relates to events before initial recognition.
- Changes in the fulfilment cash flows are recognised in statement of profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.

**(iii) Takaful certificates - subsequent measurement**

**(i) Takaful certificates**

The CSM at the end of the reporting period represents the profit in the group of takaful certificates that has not yet been recognised in statement of profit or loss, because it relates to future service to be provided.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vi) Measurement - certificates not measured under PAA (continued)**

**(iii) Takaful certificates - subsequent measurement (continued)**

**(i) Takaful certificates (continued)**

***Takaful certificates without direct participation features***

For a group of takaful certificates the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group (see Note 2(f)(iii) above).
- Profit accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss.

  Or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (see Note 2(f)(vi)(v)(ii)).
- The effect of any currency exchange differences on the CSM.
- The amount recognised as takaful revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period (see Note 2(f)(vi)(v)(i)).

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of profit on the CSM is determined using the bottom-up approach at inception.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the contribution receipts (and any related cash flows such as takaful acquisition cash flows and takaful contribution taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to contributions received (or due) related to current or past services are recognised immediately in statement of profit or loss while differences related to contributions received (or due) for future services are adjusted against the CSM.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vi) Measurement - certificates not measured under PAA (continued)**

**(iii) Takaful certificates - subsequent measurement (continued)**

**(i) Takaful certificates (continued)**

***Takaful certificates without direct participation features (continued)***

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of: (continued)

- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of takaful certificates at initial recognition.

The Company measures the carrying amount of a group of takaful certificates at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprised the fulfilment cash flows related to past service allocated to the group at that date.

***Takaful certificates with direct participation features***

Direct participating certificates are certificates under which the Company's obligation to the participant is the net of:

- the obligation to pay the participant an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the certificates, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these certificates by promising an investment return based on underlying items, in addition to takaful coverage.

When measuring a group of direct participating certificates, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay participants an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in statement of profit or loss. The Company then adjusts any CSM for changes in the amount of the Company's share of the fair value of the underlying items, which relate to future services, as explained in the following page.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vi) Measurement - certificates not measured under PAA (continued)**

**(iii) Takaful certificates - subsequent measurement (continued)**

**(i) Takaful certificates (continued)**

***Takaful certificates with direct participation features (continued)***

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new certificates that are added to the group in the year;
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - the Company have applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in statement of profit or loss (included in takaful service expenses) and creating a loss component.
    Or
  - an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in statement of profit or loss (included in takaful service expenses) (see Note 2(f)(iv)(v)(ii)).
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as takaful revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for certificates with direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items - e.g. the effect of financial guarantees.

**(iv) Takaful certificates - modification and derecognition**

The Company derecognises takaful certificates when:

- The rights and obligations relating to the certificate are extinguished (i.e., discharged, cancelled or expired).
  Or
- The certificate is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial certificate and recognises the modified certificate as a new certificate.

## 2. Material accounting policies information (continued)

### (f) Takaful and retakaful certificates accounting treatment (continued)

#### (vi) Measurement - certificates not measured under PAA (continued)

##### (v) Presentation

The Company has presented separately in the statement of financial position the carrying amount of groups of takaful certificates issued that are assets, groups of takaful certificates issued that are liabilities, retakaful certificates held that are assets and groups of retakaful certificates held that are liabilities.

Any assets or liabilities for takaful acquisition cash flows recognised before the corresponding takaful certificates are included in the carrying amount of the related groups of takaful certificates issued.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into a takaful service result, comprising takaful revenue and takaful service expenses, and takaful finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the takaful service result.

The Company separately presents income or expenses from takaful certificates held from the expenses or income from retakaful certificates held.

##### (i) Takaful revenue

The Company’s takaful revenue depicts the provision of coverage and other services arising from a group of takaful certificates at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Takaful revenue from a group of takaful certificates is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of contributions paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components). The total consideration for a group of certificates covers amounts related to the provision of services and is comprised of:

- Takaful service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to takaful acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 1(d)(i)(4).

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vi) Measurement - certificates not measured under PAA (continued)**

**(v) Presentation (continued)**

**(ii) Loss components**

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. the Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous takaful certificates (or certificates profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of certificates (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

**(iii) Takaful finance income and expense**

Takaful finance income or expenses comprise the change in the carrying amount of the group of takaful certificates arising from:

- The effect of the time value of money and changes in the time value of money.
- The effect of financial risk and changes in financial risk.

The Company defines the Family Takaful Fund as an underlying item. Hence, changes in measurement of a group of takaful certificates caused by changes in the value of the Family Takaful Fund are reflected in takaful finance income or expenses.

Finance income and expenses on the Company's issued takaful certificates is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

**(iv) Net income or expense from retakaful certificates held**

The Company presents on the face of the statement of profit or loss, the amounts expected to be recovered from retakaful operators, and an allocation of the retakaful contributions paid. The Company treats retakaful cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the retakaful certificate held, and excludes investment components and commissions from an allocation of retakaful contributions presented on the face of the statement of profit or loss.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vii) Measurement - certificates measured under PAA**

**(i) Takaful certificates - initial measurement**

The Company applies the premium allocation approach (PAA) to all the takaful certificates that it issues and retakaful certificates that it holds as:

- The coverage period of each certificate in the group is one year or less, including takaful certificate services arising from all contributions within the contract boundary (see Note 2(f)(v)).
- For certificates longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those certificates under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Company does not apply PAA if, at the inception of the group of certificates, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the certificates.
- The length of the coverage period of the group of certificates.

For a group of certificates that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The contributions, if any, received at initial recognition;
- Minus any takaful acquisition cash flows at that date, with the exception of certificates which are one year or less where this is expensed;
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for takaful acquisition cash flows; and
- Any other asset or liability previously recognised for cash flows related to the group of certificates that the Company pays or receives before the group of takaful certificates is recognised.

Where facts and circumstances indicate that certificates are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the certificate. Such onerous certificates are separately grouped from other certificates and the Company recognises a loss in statement of profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component (see Note 2(f)(vi)(v)(ii)).

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vii) Measurement - certificates measured under PAA (continued)**

**(ii) Retakaful certificates - initial measurement**

The Company measures its retakaful assets for a group of retakaful certificates that it holds on the same basis as takaful certificates that it issues. However, they are adapted to reflect the features of retakaful certificates held that differ from takaful certificates issued, for example the generation of expenses or reduction in expenses rather than income.

Where the Company recognises a loss on initial recognition of an onerous group of underlying takaful certificates or when further onerous underlying takaful certificates are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful certificates held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying takaful certificates and the percentage of claims on the underlying takaful certificates the Company expects to recover from the group of retakaful certificates held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to takaful certificates covered by the group of retakaful certificates held where some certificates in the underlying group are not covered by the group of retakaful certificates held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

**(iii) Takaful certificates - subsequent measurement**

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus contributions received in the period;
- Minus takaful acquisition cash flows;
- Plus any amounts relating to the amortisation of the takaful acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as takaful revenue for the services provided in the period;
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

**2. Material accounting policies information (continued)**

**(f) Takaful and retakaful certificates accounting treatment (continued)**

**(vii) Measurement - certificates measured under PAA (continued)**

**(iii) Takaful certificates - subsequent measurement (continued)**

Where, during the coverage period, facts and circumstances indicate that a group of takaful certificates is onerous, the Company recognises a loss in statement of profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Takaful acquisition cash flows are expensed off as incurred.

**(iv) Retakaful certificates - subsequent measurement**

The subsequent measurement of retakaful certificates held follows the same principles as those for takaful certificates issued and has been adapted to reflect the specific features of retakaful held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying takaful certificates in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying takaful certificates that the entity expects to recover from the group of retakaful certificates held.

**(v) Takaful certificates - modification and derecognition**

The modification and derecognition for takaful certificates measured under PAA is the same as per Note 2(f)(vi)(iv).

**(g) Investment in a subsidiary**

A subsidiary is an entity (including structured sukuk entities) over which the Company has control. The Company controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in statement of profit or loss.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with structured sukuk-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee.

**2. Material accounting policies information (continued)**

**(g) Investment in a subsidiary (continued)**

The Company is required to consolidate the subsidiary in the financial statement based on the criteria set out in the MFRS 10 *Consolidated Financial Statements* ("MFRS 10").

MFRS 10 establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

- Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

- If the Company loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in statement of profit or loss. Any investment retained is recognised at fair value.

**(h) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of 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. Material accounting policies information (continued)**

**(i) 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.

**(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 statement of profit or loss.

**(k) 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.

**(ii) State plans**

The Company's contributions to statutory pension funds are charged to statement of 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.

**2. Material accounting policies information (continued)**

**(k) Employee benefits (continued)**

**(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.

**(l) 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.

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.

**(m) 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 2025 on its business amounting in RM266,383.

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**3. Property and equipment**

| | Building RM'000 | Renovation RM'000 | Computer Equipment RM'000 | Office equipment, furniture and fittings RM'000 | Capital Work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| As at 1 January 2024 for the Company | 4,180 | 24,470 | 11,154 | 3,304 | 2 | 43,110 |
| Additions for the year | - | 144 | 1,444 | 193 | 704 | 2,485 |
| Disposals | - | (135) | - | (1) | - | (136) |
| Property and equipment written off | - | - | - | (45) | - | (45) |
| At 31 December 2024/1 January 2025 for the Company | 4,180 | 24,479 | 12,598 | 3,451 | 706 | 45,414 |
| Additions for the year | - | - | 3,986 | 28 | 2,425 | 6,439 |
| Disposals | - | - | (282) | - | - | (282) |
| Property and equipment written off | - | - | (1,270) | (17) | - | (1,287) |
| At 31 December 2025 | 4,180 | 24,479 | 15,032 | 3,462 | 3,131 | 50,284 |

In accordance with the Company's accounting policy, a revaluation exercise was performed during the financial year ended 31 December 2022 on building (inclusive of land). There were no revisions made to the carrying amounts as at 31 December 2025 as the latest valuations obtained approximated the carrying amounts.

**3. Property and equipment (continued)**

| | Note | Building RM'000 | Renovation RM'000 | Computer Equipment RM'000 | Office equipment, furniture and fittings RM'000 | Capital Work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| ***Accumulated depreciation*** | | | | | | | |
| As at 1 January 2024 for the Company | | 521 | 8,008 | 9,061 | 1,759 | - | 19,349 |
| Charge for the year | 15(b) | 103 | 1,666 | 849 | 351 | - | 2,969 |
| Disposals | | - | (52) | - | (1) | - | (53) |
| Property and equipment written off | | - | - | - | (25) | - | (25) |
| At 31 December 2024/1 January 2025 for the Company | | 624 | 9,622 | 9,910 | 2,084 | - | 22,240 |
| Charge for the year | 15(b) | 103 | 2,004 | 1,262 | 379 | - | 3,748 |
| Disposals | | - | - | (279) | - | - | (279) |
| Property and equipment written off | | - | (170) | (969) | (15) | - | (1,154) |
| At 31 December 2025 | | 727 | 11,456 | 9,924 | 2,448 | - | 24,555 |
| ***Carrying amounts*** | | | | | | | |
| As at 1 January 2024 for the Company | | 3,659 | 16,462 | 2,093 | 1,545 | 2 | 23,761 |
| At 31 December 2024/1 January 2025 for the Company | | 3,556 | 14,857 | 2,688 | 1,367 | 706 | 23,174 |
| At 31 December 2025 | | 3,453 | 13,023 | 5,108 | 1,014 | 3,131 | 25,729 |

## 4. Right-of-use assets

| | Note | Leasehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Carrying amount** | | | | |
| As at 1 January 2024 for the Company | | 1,434 | 57,338 | 58,772 |
| Additions for the year | | - | 418 | 418 |
| Depreciation | 15(b) | (17) | (4,429) | (4,446) |
| Modification | | - | (6,138) | (6,138) |
| At 31 December 2024/1 January 2025 for the Company | | 1,417 | 47,189 | 48,606 |
| Additions for the year | | - | 1,418 | 1,418 |
| Depreciation | 15(b) | (17) | (5,078) | (5,095) |
| Derecognition | | - | (3,791) | (3,791) |
| Modification* | | - | 1,616 | 1,616 |
| At 31 December 2025 | | 1,400 | 41,354 | 42,754 |

* The modification adjustment of RM1,616,000 arose mainly due to the revision to the rental rate including the restoration cost during the current financial year. In the financial year ended 31 December 2024, the modification adjustment of RM6,138,000 arose due to the revision in the lease payment terms.

### 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 - Company** | | | |
| At 31 December 2025 | 54,680 | 50,804 | 62% |
| At 31 December 2024 | 56,249 | 44,879 | 58% |

### 4.2 Amounts recognised in statement of cash flows

| Company | 2025 RM'000 | 2024 RM'000 |
|---|---|---|
| **Included in net cash flow from financing activities:** | | |
| Payment of lease liabilities | 4,242 | 3,684 |

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

| Company | 2025 RM'000 | 2024 RM'000 |
|---|---|---|
| **At 1 January** | 56,249 | 65,653 |
| Net cash flow from financing activities: | (4,242) | (3,684) |
| Acquisition of new lease | 1,112 | 418 |
| Modification of existing lease | 1,561 | (6,138) |
| **At 31 December** | 54,680 | 56,249 |

## 5. Intangible assets

| | Note | Computer software RM'000 | Capital Work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| As at 1 January 2024 for the Company | | 194,919 | 46,083 | 241,002 |
| Additions for the year | | - | 39,147 | 39,147 |
| Capitalisation | | 17,742 | (17,742) | - |
| Intangible assets written off | | (4,499) | - | (4,499) |
| At 31 December 2024/1 January 2025 for the Company | | 208,162 | 67,488 | 275,650 |
| Additions for the year | | - | 20,891 | 20,891 |
| Capitalisation | | 30,508 | (30,508) | - |
| Intangible assets written off | | (4,414) | - | (4,414) |
| At 31 December 2025 | | 234,256 | 57,871 | 292,127 |
| ***Accumulated amortisation*** | | | | |
| As at 1 January 2024 for the Company | | 75,435 | - | 75,435 |
| Amortisation for the year | 15(b) | 20,254 | - | 20,254 |
| Intangible assets written off | | (652) | - | (652) |
| At 31 December 2024/1 January 2025 for the Company | | 95,037 | - | 95,037 |
| Amortisation for the year | 15(b) | 28,628 | - | 28,628 |
| Intangible assets written off | | (743) | - | (743) |
| At 31 December 2025 | | 122,922 | - | 122,922 |
| ***Carrying amounts*** | | | | |
| As at 1 January 2024 for the Company | | 119,484 | 46,083 | 165,567 |
| At 31 December 2024/1 January 2025 for the Company | | 113,125 | 67,488 | 180,613 |
| At 31 December 2025 | | 111,334 | 57,871 | 169,205 |

## 6. Investments

| | Family Takaful Fund | | Company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian government investment issue | 844,284 | 506,518 | 865,825 | 524,657 |
| Islamic debt securities | 2,185,941 | 2,117,682 | 2,228,718 | 2,158,946 |
| Equity securities | 2,812,516 | 2,889,538 | 2,812,516 | 2,889,538 |
| Collective investment schemes * | 1,195,525 | 777,327 | 1,715,120 | 1,300,158 |
| Deposits with licensed financial institutions ** | 421,387 | 397,423 | 765,257 | 692,673 |
| | 7,459,653 | 6,688,488 | 8,387,436 | 7,565,972 |

* Included in collective investment schemes is an investment into a wholesale fund of RM519,595,332 (2024: RM522,832,091) for the Takaful Operator and RM10,891,705 (2024: RM8,509,295) for the Family Takaful Fund.

** Included in the deposits with licensed financial institutions of the Company are deposits placed with the Holding Company of RM327,089,410 (2024: RM337,781,870).

(a) The Family Takaful Fund's and Company’s financial investments are summarised by categories as follows:

| | Family Takaful Fund | | Company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Amortised cost** | | | | |
| Deposits with licensed financial institutions | 421,387 | 397,423 | 765,257 | 692,673 |
| **Fair value through profit or loss ("FVTPL")** | | | | |
| Malaysian government investment issue | 844,284 | 506,518 | 865,825 | 524,657 |
| Islamic debt securities | 2,185,941 | 2,117,682 | 2,228,718 | 2,158,946 |
| Equity securities | 2,812,516 | 2,889,538 | 2,812,516 | 2,889,538 |
| Collective investment schemes | 1,195,525 | 777,327 | 1,715,120 | 1,300,158 |
| | 7,038,266 | 6,291,065 | 7,622,179 | 6,873,299 |
| | 7,459,653 | 6,688,488 | 8,387,436 | 7,565,972 |

**6. Investments (continued)**

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

| **Family Takaful Fund** | **Note** | **Amortised cost RM'000** | **FVTPL RM'000** | **Total RM'000** |
|---|---|---|---|---|
| At 1 January 2024 | | 468,078 | 5,256,061 | 5,724,139 |
| Purchases | | 35,621,001 | 16,148,549 | 51,769,550 |
| Maturities/Disposals | | (35,691,656) | (15,472,718) | (51,164,374) |
| Fair value gains recognised in profit or loss | 19 | - | 359,173 | 359,173 |
| At 31 December 2024 | | 397,423 | 6,291,065 | 6,688,488 |
| Purchases | | 74,652,946 | 34,377,546 | 109,030,492 |
| Maturities/Disposals | | (74,628,982) | (33,800,562) | (108,429,544) |
| Fair value gains recognised in profit or loss | 19 | - | 170,217 | 170,217 |
| At 31 December 2025 | | 421,387 | 7,038,266 | 7,459,653 |

| **Company** | **Note** | **Amortised cost RM'000** | **FVTPL RM'000** | **Total RM'000** |
|---|---|---|---|---|
| At 1 January 2024 | | 718,528 | 5,727,968 | 6,446,496 |
| Purchases | | 36,258,911 | 16,677,308 | 52,936,219 |
| Maturities/Disposals | | (36,284,766) | (15,893,145) | (52,177,911) |
| Fair value gains recognised in profit or loss | 19 | - | 361,168 | 361,168 |
| At 31 December 2024 | | 692,673 | 6,873,299 | 7,565,972 |
| Purchases | | 75,581,626 | 35,930,197 | 111,511,823 |
| Maturities/Disposals | | (75,509,042) | (35,351,770) | (110,860,812) |
| Fair value gains recognised in profit or loss | 19 | - | 170,453 | 170,453 |
| At 31 December 2025 | | 765,257 | 7,622,179 | 8,387,436 |

**7. Takaful and retakaful certificates**

The breakdown of groups of takaful certificates issued and retakaful certificates held, that are in an asset position and those in a liability position is set out in the table below:

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Assets RM'000 | Liabilities RM'000 | Net RM'000 | Assets RM'000 | Liabilities RM'000 | Net RM'000 |
| **Family Takaful Fund** | | | | | | |
| Takaful certificates issued | (126,617) | 7,767,027 | 7,640,410 | (127,583) | 7,065,716 | 6,938,133 |
| Retakaful certificates held | 47,992 | (34,912) | 13,080 | 78,156 | (34,912) | 43,244 |

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Assets RM'000 | Liabilities RM'000 | Net RM'000 | Assets RM'000 | Liabilities RM'000 | Net RM'000 |
| **Company** | | | | | | |
| Takaful certificates issued | (456,052) | 6,837,335 | 6,381,283 | (474,656) | 6,375,933 | 5,901,277 |
| Retakaful certificates held | 47,097 | (25,824) | 21,273 | 77,321 | (25,825) | 51,496 |

The Company disaggregates information to provide disclosures in respect of family takaful certificates issued and retakaful certificates held separately. This disaggregation has been determined based on how the Family Takaful Fund and Company is managed.

# Prudential BSN Takaful Berhad

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

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Family Takaful Fund, is disclosed in the table below:

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Family Takaful Fund** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **<u>As at 31 December 2025</u>** | | | | | | | |
| Takaful certificate liabilities as at 1 January | | 12,162,325 | - | 67,796 | - | (5,164,405) | 7,065,716 |
| Takaful certificate assets as at 1 January | | (242,032) | - | (59) | - | 114,508 | (127,583) |
| **Net takaful certificate liabilities as at 1 January** | | 11,920,293 | - | 67,737 | - | (5,049,897) | 6,938,133 |
| **Takaful revenue** | 14 | (1,801,603) | - | - | - | - | (1,801,603) |
| **Takaful service expense** | 15 | 6,539 | - | 87,872 | - | 1,472,197 | 1,566,608 |
| **Investment components** | | (698,499) | - | - | - | 698,499 | - |
| **Takaful service result** | | (2,493,563) | - | 87,872 | - | 2,170,696 | (234,995) |
| **Takaful finance expenses** | 20 | 508,667 | - | - | - | 12,957 | 521,624 |
| **Total changes in the statement of profit or loss and OCI** | | (1,984,896) | - | 87,872 | - | 2,183,653 | 286,629 |

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Family Takaful Fund, is disclosed in the table below: (continued)

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Family Takaful Fund** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **As at 31 December 2025** | | | | | | | |
| **Cash flows** | | | | | | | |
| Contributions received | | 4,737,065 | - | - | - | - | 4,737,065 |
| Claims and other expenses paid including investment components | | - | - | (52,974) | - | (4,272,958) | (4,325,932) |
| Takaful acquisition cash flows | | 117 | - | - | - | - | 117 |
| **Total cash flows** | | 4,737,182 | - | (52,974) | - | (4,272,958) | 411,250 |
| **Other movements *** | | - | - | 5,843 | - | (1,445) | 4,398 |
| **Net takaful certificate liabilities as at 31 December** | | 14,672,579 | - | 108,478 | - | (7,140,647) | 7,640,410 |
| Takaful certificate liabilities as at 31 December | | 14,929,540 | - | 107,510 | - | (7,270,023) | 7,767,027 |
| Takaful certificate assets as at 31 December | | (256,961) | - | 968 | - | 129,376 | (126,617) |
| **Net takaful certificate liabilities as at 31 December** | | 14,672,579 | - | 108,478 | - | (7,140,647) | 7,640,410 |

* Other movements for liability for remaining coverange and liability for incurred claims relate to situations where the accounting treatment of some fixed or variable overheads included in the cash flows within the boundary of a takaful certificate are governed by other MFRS Accounting Standards and IFRS Accounting Standards. In such instances, when the takaful service expenses are incurred, a settlement of the liability is deemed to have occurred, with a corresponding adjustment to other items in the statement of financial position such as accumulated depreciation, amortisation of intangible assets and other allocated overhead amounts.

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Family Takaful Fund, is disclosed in the table below: (continued)

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Family Takaful Fund** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **As at 31 December 2024** | | | | | | | |
| Takaful certificate liabilities as at 1 January | | 9,242,748 | - | 27,710 | - | (3,151,512) | 6,118,946 |
| Takaful certificate assets as at 1 January | | (237,658) | - | 326 | - | 112,598 | (124,734) |
| **Net takaful certificate liabilities as at 1 January** | | 9,005,090 | - | 28,036 | - | (3,038,914) | 5,994,212 |
| **Takaful revenue** | 14 | (1,568,489) | - | - | - | - | (1,568,489) |
| **Takaful service expense** | 15 | 2,673 | - | 72,855 | - | 1,379,900 | 1,455,428 |
| **Investment components** | | (697,167) | - | - | - | 697,167 | - |
| **Takaful service result** | | (2,262,983) | - | 72,855 | - | 2,077,067 | (113,061) |
| **Takaful finance expenses** | 20 | 679,588 | - | - | - | 9,955 | 689,543 |
| **Total changes in the statement of profit or loss and OCI** | | (1,583,395) | - | 72,855 | - | 2,087,022 | 576,482 |

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Family Takaful Fund, is disclosed in the table below: (continued)

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Family Takaful Fund** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **<u>As at 31 December 2024</u>** | | | | | | | |
| **Cash flows** | | | | | | | |
| Contributions received | | 4,498,509 | - | - | - | - | 4,498,509 |
| Claims and other expenses paid including investment components | | - | - | (33,703) | - | (4,099,305) | (4,133,008) |
| Takaful acquisition cash flows | | 89 | - | - | - | - | 89 |
| **Total cash flows** | | 4,498,598 | - | (33,703) | - | (4,099,305) | 365,590 |
| **Other movements** * | | - | - | 549 | - | 1,300 | 1,849 |
| **Net takaful certificate liabilities as at 31 December** | | 11,920,293 | - | 67,737 | - | (5,049,897) | 6,938,133 |
| Takaful certificate liabilities as at 31 December | | 12,162,325 | - | 67,796 | - | (5,164,405) | 7,065,716 |
| Takaful certificate assets as at 31 December | | (242,032) | - | (59) | - | 114,508 | (127,583) |
| **Net takaful certificate liabilities as at 31 December** | | 11,920,293 | - | 67,737 | - | (5,049,897) | 6,938,133 |

* Other movements for liability for remaining coverange and liability for incurred claims relate to situations where the accounting treatment of some fixed or variable overheads included in the cash flows within the boundary of a takaful certificate are governed by other MFRS Accounting Standards and IFRS Accounting Standards. In such instances, when the takaful service expenses are incurred, a settlement of the liability is deemed to have occurred, with a corresponding adjustment to other items in the statement of financial position such as accumulated depreciation, amortisation of intangible assets and other allocated overhead amounts.

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below:

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Company** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **As at 31 December 2025** | | | | | | | |
| Takaful certificate liabilities as at 1 January | | 5,657,482 | 13,426 | 57,916 | - | 647,109 | 6,375,933 |
| Takaful certificate assets as at 1 January | | (524,520) | - | (88) | - | 49,952 | (474,656) |
| **Net takaful certificate liabilities as at 1 January** | | 5,132,962 | 13,426 | 57,828 | - | 697,061 | 5,901,277 |
| **Takaful revenue** | 14 | (2,802,352) | - | - | - | - | (2,802,352) |
| **Takaful service expense** | 15 | 720,559 | 20,108 | 89,322 | - | 1,508,066 | 2,338,055 |
| **Investment components** | | (698,499) | - | - | - | 698,499 | - |
| **Takaful service result** | | (2,780,292) | 20,108 | 89,322 | - | 2,206,565 | (464,297) |
| **Takaful finance expenses** | 20 | 449,080 | 1,718 | - | - | 12,957 | 463,755 |
| **Total changes in the statement of profit or loss and OCI** | | (2,331,212) | 21,826 | 89,322 | - | 2,219,522 | (542) |

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Company** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **As at 31 December 2025** | | | | | | | |
| **Cash flows** | | | | | | | |
| Contributions received | | 3,510,099 | - | - | - | - | 3,510,099 |
| Claims and other expenses paid including investment components | | - | - | (54,279) | - | (2,168,664) | (2,222,943) |
| Takaful acquisition cash flows | | (773,629) | - | - | - | - | (773,629) |
| **Total cash flows** | | 2,736,470 | - | (54,279) | - | (2,168,664) | 513,527 |
| **Other movements** * | | (18,041) | - | 5,670 | - | (20,608) | (32,979) |
| **Net takaful certificate liabilities as at 31 December** | | 5,520,179 | 35,252 | 98,541 | - | 727,311 | 6,381,283 |
| Takaful certificate liabilities as at 31 December | | 6,029,731 | 35,252 | 98,687 | - | 673,665 | 6,837,335 |
| Takaful certificate assets as at 31 December | | (509,552) | - | (146) | - | 53,646 | (456,052) |
| **Net takaful certificate liabilities as at 31 December** | | 5,520,179 | 35,252 | 98,541 | - | 727,311 | 6,381,283 |

* Other movements for liability for remaining coverange and liability for incurred claims relate to situations where the accounting treatment of some fixed or variable overheads included in the cash flows within the boundary of a takaful certificate are governed by other MFRS Accounting Standards and IFRS Accounting Standards. In such instances, when the takaful service expenses are incurred, a settlement of the liability is deemed to have occurred, with a corresponding adjustment to other items in the statement of financial position such as accumulated depreciation, amortisation of intangible assets and other allocated overhead amounts.

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Group and Company, is disclosed in the table below: (continued)

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Company** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **As at 31 December 2024** | | | | | | | |
| Takaful certificate liabilities as at 1 January | | 4,954,748 | 1,124 | 18,589 | - | 549,206 | 5,523,667 |
| Takaful certificate assets as at 1 January | | (539,696) | - | (79) | - | 45,524 | (494,251) |
| **Net takaful certificate liabilities as at 1 January** | | 4,415,052 | 1,124 | 18,510 | - | 594,730 | 5,029,416 |
| **Takaful revenue** | 14 | (2,484,870) | - | - | - | - | (2,484,870) |
| **Takaful service expense** | 15 | 647,735 | 11,567 | 73,622 | - | 1,495,204 | 2,228,128 |
| **Investment components** | | (697,167) | - | - | - | 697,167 | - |
| **Takaful service result** | | (2,534,302) | 11,567 | 73,622 | - | 2,192,371 | (256,742) |
| **Takaful finance expenses** | 20 | 628,554 | 735 | - | - | 9,955 | 639,244 |
| **Total changes in the statement of profit or loss and OCI** | | (1,905,748) | 12,302 | 73,622 | - | 2,202,326 | 382,502 |

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(i) The roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Group and Company, is disclosed in the table below: (continued)

| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Company** | **Note** | **Excluding Loss Components** | **Loss Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **<u>As at 31 December 2024</u>** | | | | | | | |
| **Cash flows** | | | | | | | |
| Contributions received | | 3,397,066 | - | - | - | - | 3,397,066 |
| Claims and other expenses paid including investment components | | - | - | (34,800) | - | (2,086,717) | (2,121,517) |
| Takaful acquisition cash flows | | (760,437) | - | - | - | - | (760,437) |
| **Total cash flows** | | 2,636,629 | - | (34,800) | - | (2,086,717) | 515,112 |
| **Other movements** * | | (12,971) | - | 496 | - | (13,278) | (25,753) |
| **Net takaful certificate liabilities as at 31 December** | | 5,132,962 | 13,426 | 57,828 | - | 697,061 | 5,901,277 |
| | | | | | | | |
| Takaful certificate liabilities as at 31 December | | 5,657,482 | 13,426 | 57,916 | - | 647,109 | 6,375,933 |
| Takaful certificate assets as at 31 December | | (524,520) | - | (88) | - | 49,952 | (474,656) |
| **Net takaful certificate liabilities as at 31 December** | | 5,132,962 | 13,426 | 57,828 | - | 697,061 | 5,901,277 |

* Other movements for liability for remaining coverange and liability for incurred claims relate to situations where the accounting treatment of some fixed or variable overheads included in the cash flows within the boundary of a takaful certificate are governed by other MFRS Accounting Standards and IFRS Accounting Standards. In such instances, when the takaful service expenses are incurred, a settlement of the liability is deemed to have occurred, with a corresponding adjustment to other items in the statement of financial position such as accumulated depreciation, amortisation of intangible assets and other allocated overhead amounts.

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Family Takaful Fund.

| | | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Family Takaful Fund** | **Note** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Takaful certificate liabilities as at 1 January | | 6,975,659 | - | - | 6,975,659 | 6,085,145 | - | - | 6,085,145 |
| Takaful certificate assets as at 1 January | | (127,434) | - | - | (127,434) | (122,635) | - | - | (122,635) |
| **Net takaful certificate liabilities as at 1 January** | | 6,848,225 | - | - | 6,848,225 | 5,962,510 | - | - | 5,962,510 |
| Changes that relate to current services | | | | | | | | | |
| Risk adjustment for the risks expired | | - | 63 | - | 63 | - | 56 | - | 56 |
| Experience adjustments | | (98,534) | - | - | (98,534) | 20,237 | - | - | 20,237 |
| Changes that relate to future services | | | | | | | | | |
| Certificates initially recognised in the year | | 167 | - | (167) | - | 217 | - | (217) | - |
| Changes in estimates that adjust the contractual service margin | | (18,472) | - | 18,472 | - | (35,309) | - | 35,309 | - |
| Changes that relate to past services | | | | | | | | | |
| Adjustments to liabilities for incurred claims | | (115,721) | (410) | - | (116,131) | (152,117) | (87) | - | (152,204) |
| **Takaful service result** | | (232,560) | (347) | 18,305 | (214,602) | (166,972) | (31) | 35,092 | (131,911) |
| **Takaful finance expenses** | | 519,189 | 347 | (18,305) | 501,231 | 743,454 | 31 | (35,092) | 708,393 |
| **Total changes in the statement of profit or loss and OCI** | | 286,629 | - | - | 286,629 | 576,482 | - | - | 576,482 |

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Family Takaful Fund. (continued)

| | | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Family Takaful Fund** | **Note** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Cash flows** | | | | | | | | | |
| Contributions received | | 4,641,750 | - | - | 4,641,750 | 4,407,150 | - | - | 4,407,150 |
| Claims and other expenses paid including investment components | | (4,272,956) | - | - | (4,272,956) | (4,099,305) | - | - | (4,099,305) |
| Takaful acquisition cash flows | | 117 | - | - | 117 | 89 | - | - | 89 |
| **Total cash flows** | | 368,911 | - | - | 368,911 | 307,934 | - | - | 307,934 |
| **Other movements *** | | (1,445) | - | - | (1,445) | 1,299 | - | - | 1,299 |
| **Net takaful certificate liabilities as at 31 December** | | 7,502,320 | - | - | 7,502,320 | 6,848,225 | - | - | 6,848,225 |
| | | | | | | | | | |
| Takaful certificate liabilities as at 31 December | | 7,621,485 | - | - | 7,621,485 | 6,975,659 | - | - | 6,975,659 |
| Takaful certificate assets as at 31 December | | (119,165) | - | - | (119,165) | (127,434) | - | - | (127,434) |
| **Net takaful certificate liabilities as at 31 December** | | 7,502,320 | - | - | 7,502,320 | 6,848,225 | - | - | 6,848,225 |

* Other movements for liability for remaining coverange and liability for incurred claims relate to situations where the accounting treatment of some fixed or variable overheads included in the cash flows within the boundary of a takaful certificate are governed by other MFRS Accounting Standards and IFRS Accounting Standards. In such instances, when the takaful service expenses are incurred, a settlement of the liability is deemed to have occurred, with a corresponding adjustment to other items in the statement of financial position such as accumulated depreciation, amortisation of intangible assets and other allocated overhead amounts.

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Group and Company.

| | | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Note** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Takaful certificate liabilities as at 1 January | | 4,754,534 | 469,156 | 1,073,889 | 6,297,579 | 4,139,803 | 401,186 | 958,898 | 5,499,887 |
| Takaful certificate assets as at 1 January | | (1,260,760) | 43,760 | 742,414 | (474,586) | (1,263,454) | 41,123 | 728,135 | (494,196) |
| **Net takaful certificate liabilities as at 1 January** | | 3,493,774 | 512,916 | 1,816,303 | 5,822,993 | 2,876,349 | 442,309 | 1,687,033 | 5,005,691 |
| Changes that relate to current services | | | | | | | | | |
| Contractual service margin recognised for services provided | 14 | - | - | (199,632) | (199,632) | - | - | (197,185) | (197,185) |
| Risk adjustment for the risks expired | | - | (103,357) | - | (103,357) | - | (90,311) | - | (90,311) |
| Experience adjustments | | (37,355) | - | - | (37,355) | 156,289 | - | - | 156,289 |
| Changes that relate to future services | | | | | | | | | |
| Certificates initially recognised in the year | 7(iv) | (350,921) | 65,776 | 292,947 | 7,802 | (334,959) | 57,980 | 288,273 | 11,294 |
| Changes in estimates that adjust the contractual service margin | | 142,728 | 21,338 | (164,113) | (47) | (71,898) | 57,624 | 14,266 | (8) |
| Changes in estimates that do not adjust the contractual service margin | | 29,854 | (2,985) | - | 26,869 | 3,547 | 1,790 | - | 5,337 |
| Changes that relate to past services | | | | | | | | | |
| Adjustments to liabilities for incurred claims | | (115,721) | (410) | - | (116,131) | (152,117) | (87) | - | (152,204) |
| **Takaful service result** | | (331,415) | (19,638) | (70,798) | (421,851) | (399,138) | 26,996 | 105,354 | (266,788) |
| **Takaful finance expenses** | | 353,802 | 48,412 | 41,147 | 443,361 | 590,568 | 43,611 | 23,916 | 658,095 |
| **Total changes in the statement of profit or loss and OCI** | | 22,387 | 28,774 | (29,651) | 21,510 | 191,430 | 70,607 | 129,270 | 391,307 |

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Takaful certificates issued (continued)**

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Group and Company. (continued)

| | | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Note** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Cash flows** | | | | | | | | | |
| Contributions received | | 3,378,004 | - | - | 3,378,004 | 3,273,891 | - | - | 3,273,891 |
| Claims and other expenses paid including investment components | | (2,168,665) | - | - | (2,168,665) | (2,086,717) | - | - | (2,086,717) |
| Takaful acquisition cash flows | | (747,810) | - | - | (747,810) | (735,420) | - | - | (735,420) |
| **Total cash flows** | | 461,529 | - | - | 461,529 | 451,754 | - | - | 451,754 |
| **Other movements** * | | (38,016) | - | - | (38,016) | (25,759) | - | - | (25,759) |
| **Net takaful certificate liabilities as at 31 December** | | 3,939,674 | 541,690 | 1,786,652 | 6,268,016 | 3,493,774 | 512,916 | 1,816,303 | 5,822,993 |
| Takaful certificate liabilities as at 31 December | | 5,191,219 | 498,041 | 1,034,469 | 6,723,729 | 4,754,534 | 469,156 | 1,073,889 | 6,297,579 |
| Takaful certificate assets as at 31 December | | (1,251,545) | 43,649 | 752,183 | (455,713) | (1,260,760) | 43,760 | 742,414 | (474,586) |
| **Net takaful certificate liabilities as at 31 December** | | 3,939,674 | 541,690 | 1,786,652 | 6,268,016 | 3,493,774 | 512,916 | 1,816,303 | 5,822,993 |

* Other movements for liability for remaining coverange and liability for incurred claims relate to situations where the accounting treatment of some fixed or variable overheads included in the cash flows within the boundary of a takaful certificate are governed by other MFRS Accounting Standards and IFRS Accounting Standards. In such instances, when the takaful service expenses are incurred, a settlement of the liability is deemed to have occurred, with a corresponding adjustment to other items in the statement of financial position such as accumulated depreciation, amortisation of intangible assets and other allocated overhead amounts.

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and Retakaful certificate (continued)**

**Takaful certificates issued**

(iii) The impacts on CSM for the current and previous financial years arising due to the different transition approaches adopted by the Company on its portfolio of takaful certificates is disclosed below:

| | Company 2025 | | | Company 2024 | | |
|---|---|---|---|---|---|---|
| | Certificates using the fair value approach | All others certificates | Total | Certificates using the fair value approach | All others certificates | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Contractual service margin as at 1 January** | 1,077,330 | 738,973 | 1,816,303 | 1,172,899 | 514,134 | 1,687,033 |
| Changes that relate to current services | | | | | | |
| Contractual service margin recognised for services provided | (104,227) | (95,405) | (199,632) | (119,158) | (78,027) | (197,185) |
| Changes that relate to future services | | | | | | |
| Certificates initially recognised in the year | - | 292,947 | 292,947 | - | 288,273 | 288,273 |
| Changes in estimates that adjust the contractual service margin | (67,097) | (97,016) | (164,113) | 26,354 | (12,088) | 14,266 |
| **Takaful service result** | (171,324) | 100,526 | (70,798) | (92,804) | 198,158 | 105,354 |
| **Takaful finance expenses** | 7,258 | 33,889 | 41,147 | (2,765) | 26,681 | 23,916 |
| **Total changes in the statement of profit or loss and OCI** | (164,066) | 134,415 | (29,651) | (95,569) | 224,839 | 129,270 |
| **Contractual service margin as at 31 December** | **913,264** | **873,388** | **1,786,652** | **1,077,330** | **738,973** | **1,816,303** |

**7. Takaful and Retakaful certificate (continued)**

(iv) The components of new business

**Takaful certificates issued**

A breakdown of the components of new non-onerous and onerous business issued by the Company are disclosed below:

| | Note | Company 2025 Certificates issued Non-onerous RM'000 | Company 2025 Certificates issued Onerous RM'000 | Company 2025 Total RM'000 | Company 2024 Certificates issued Non-onerous RM'000 | Company 2024 Certificates issued Onerous RM'000 | Company 2024 Total RM'000 |
|---|---|---|---|---|---|---|---|
| Estimate of present value of future cash outflows, excluding takaful acquisition cash flows | | 2,203,237 | 160,291 | 2,363,528 | 2,319,852 | 124,679 | 2,444,531 |
| Estimates of takaful acquisition cash flows | | 555,712 | 39,115 | 594,827 | 614,129 | 37,593 | 651,722 |
| Estimate of present value of future cash outflows | | 2,758,949 | 199,406 | 2,958,355 | 2,933,981 | 162,272 | 3,096,253 |
| Estimate of present value of future cash inflows | | (3,115,078) | (194,198) | (3,309,276) | (3,277,578) | (153,634) | (3,431,212) |
| Risk adjustment | | 63,182 | 2,594 | 65,776 | 55,324 | 2,656 | 57,980 |
| CSM | | 292,947 | - | 292,947 | 288,273 | - | 288,273 |
| **Amount included in takaful certificate liabilities for the year and recognised in the statement of profit or loss** | **7(ii)** | **-** | **7,802** | **7,802** | **-** | **11,294** | **11,294** |

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held**

(v) The roll-forward of the net assets or liabilities for retakaful certificates held for retakaful certificates, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the Family Takaful Fund is disclosed in the table below:

| | | Assets for remaining coverage | | Amounts recoverable on incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Family Takaful Fund** | **Note** | **Excluding Loss-recovery Components** | **Loss-recovery Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **As at 31 December 2025** | | | | | | | |
| Retakaful certificate assets as at 1 January | | (75,769) | (52) | 17,192 | - | 136,785 | 78,156 |
| Retakaful certificate liabilities as at 1 January | | (36,574) | (1,278) | - | - | 2,940 | (34,912) |
| **Net retakaful certificate assets as at 1 January** | | (112,343) | (1,330) | 17,192 | - | 139,725 | 43,244 |
| Allocation of retakaful contributions | | (142,603) | - | - | - | - | (142,603) |
| Amounts recoverable from retakaful operators | | - | - | 26,850 | - | 139,758 | 166,608 |
| **Net income or expense from retakaful certificates held** | 16 | (142,603) | - | 26,850 | - | 139,758 | 24,005 |
| **Retakaful finance income** | 20 | (41,099) | - | - | - | - | (41,099) |
| **Effect of changes in non-performance risk of retakaful operators** | 20 | 17,094 | - | - | - | - | 17,094 |
| **Total changes in the statement of profit or loss and OCI** | | (166,608) | - | 26,850 | - | 139,758 | - |
| **Cash flows** | | | | | | | |
| Contributions paid | | 182,272 | - | - | - | - | 182,272 |
| Amounts received | | - | - | (24,070) | - | (188,366) | (212,436) |
| **Total cash flows** | | 182,272 | - | (24,070) | - | (188,366) | (30,164) |
| **Net retakaful certificate assets as at 31 December** | | (96,679) | (1,330) | 19,972 | - | 91,117 | 13,080 |
| Retakaful certificate assets as at 31 December | | (60,105) | (52) | 19,972 | - | 88,177 | 47,992 |
| Retakaful certificate liabilities as at 31 December | | (36,574) | (1,278) | - | - | 2,940 | (34,912) |
| **Net retakaful certificate assets as at 31 December** | | (96,679) | (1,330) | 19,972 | - | 91,117 | 13,080 |

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held (continued)**

(v) The roll-forward of the net assets or liabilities for retakaful certificates held for retakaful certificates, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the Family Takaful Fund is disclosed in the table below: (continued)

| | | Assets for remaining coverage | | Amounts recoverable on incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| **Family Takaful Fund** | **Note** | **Excluding Loss-recovery Components** | **Loss-recovery Components** | **Estimates of the Present Value of Future Cash** | **Risk Adjustments for Non-Financial Risks** | **Non-Premium Allocation Approach** | **Total** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **As at 31 December 2024** | | | | | | | |
| Retakaful certificate assets as at 1 January | | (61,053) | (52) | (37) | - | 97,235 | 36,093 |
| Retakaful certificate liabilities as at 1 January | | (36,574) | (1,278) | - | - | 2,940 | (34,912) |
| **Net retakaful certificate assets as at 1 January** | | (97,627) | (1,330) | (37) | - | 100,175 | 1,181 |
| Allocation of retakaful contributions | | (132,998) | - | - | - | - | (132,998) |
| Amounts recoverable from retakaful operators | | - | - | 22,431 | - | 127,507 | 149,938 |
| **Net income or expense from retakaful certificates held** | 16 | (132,998) | - | 22,431 | - | 127,507 | 16,940 |
| **Retakaful finance income** | 20 | (10,855) | - | - | - | - | (10,855) |
| **Effect of changes in non-performance risk of retakaful operators** | 20 | (6,085) | - | - | - | - | (6,085) |
| **Total changes in the statement of profit or loss and OCI** | | (149,938) | - | 22,431 | - | 127,507 | - |
| **Cash flows** | | | | | | | |
| Contributions paid | | 134,925 | - | - | - | - | 134,925 |
| Amounts received | | - | - | (5,202) | - | (87,582) | (92,784) |
| **Total cash flows** | | 134,925 | - | (5,202) | - | (87,582) | 42,141 |
| **Other movements** | | 297 | - | - | - | (375) | (78) |
| **Net retakaful certificate assets as at 31 December** | | (112,343) | (1,330) | 17,192 | - | 139,725 | 43,244 |
| Retakaful certificate assets as at 31 December | | (75,769) | (52) | 17,192 | - | 136,785 | 78,156 |
| Retakaful certificate liabilities as at 31 December | | (36,574) | (1,278) | - | - | 2,940 | (34,912) |
| **Net retakaful certificate assets as at 31 December** | | (112,343) | (1,330) | 17,192 | - | 139,725 | 43,244 |

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held (continued)**

(v) The roll-forward of the net assets or liabilities for retakaful certificates held for retakaful certificates, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the Company is disclosed in the table below:

| Company | Note | Assets for remaining coverage: Excluding Loss-recovery Components | Assets for remaining coverage: Loss-recovery Components | Amounts recoverable on incurred claims – Premium Allocation Approach: Estimates of the Present Value of Future Cash | Amounts recoverable on incurred claims – Premium Allocation Approach: Risk Adjustments for Non-Financial Risks | Amounts recoverable on incurred claims: Non-Premium Approach | Total |
|---|---|---|---|---|---|---|---|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **As at 31 December 2025** | | | | | | | |
| Retakaful certificate assets as at 1 January | | (81,171) | - | 17,192 | - | 141,300 | 77,321 |
| Retakaful certificate liabilities as at 1 January | | (28,765) | - | - | - | 2,940 | (25,825) |
| **Net retakaful certificate assets as at 1 January** | | (109,936) | - | 17,192 | - | 144,240 | 51,496 |
| Allocation of retakaful contributions | | (144,674) | - | - | - | - | (144,674) |
| Amounts recoverable from retakaful operators | | - | - | 26,850 | - | 139,758 | 166,608 |
| **Net income or expense from retakaful certificates held** | 16 | (144,674) | - | 26,850 | - | 139,758 | 21,934 |
| **Retakaful finance income** | 20 | (41,099) | - | - | - | - | (41,099) |
| **Effect of changes in non-performance risk of retakaful operators** | 20 | 17,094 | - | - | - | - | 17,094 |
| **Total changes in the statement of profit or loss and OCI** | | (168,679) | - | 26,850 | - | 139,758 | (2,071) |
| **Cash flows** | | | | | | | |
| Contributions paid | | 184,286 | - | - | - | - | 184,286 |
| Amounts received | | - | - | (24,070) | - | (188,368) | (212,438) |
| **Total cash flows** | | 184,286 | - | (24,070) | - | (188,368) | (28,152) |
| **Net retakaful certificate assets as at 31 December** | | (94,329) | - | 19,972 | - | 95,630 | 21,273 |
| Retakaful certificate assets as at 31 December | | (65,565) | - | 19,972 | - | 92,690 | 47,097 |
| Retakaful certificate liabilities as at 31 December | | (28,764) | - | - | - | 2,940 | (25,824) |
| **Net retakaful certificate assets as at 31 December** | | (94,329) | - | 19,972 | - | 95,630 | 21,273 |

# Prudential BSN Takaful Berhad
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held (continued)**

(v) The roll-forward of the net assets or liabilities for retakaful certificates held for retakaful certificates, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the Company is disclosed in the table below: (continued)

| | | Assets for remaining coverage | | Amounts recoverable on incurred claims | | | |
|---|---|---|---|---|---|---|---|
| | | | | Premium Allocation Approach | | | |
| Company | Note | Excluding Loss-recovery Components | Loss-recovery Components | Estimates of the Present Value of Future Cash | Risk Adjustments for Non-Financial Risks | Non-Premium Approach | Total |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **As at 31 December 2024** | | | | | | | |
| Retakaful certificate assets as at 1 January | | (67,925) | - | - | - | 101,751 | 33,826 |
| Retakaful certificate liabilities as at 1 January | | (28,765) | - | (37) | - | 2,940 | (25,862) |
| **Net retakaful certificate assets as at 1 January** | | (96,690) | - | (37) | - | 104,691 | 7,964 |
| Allocation of retakaful contributions | | (134,658) | - | - | - | - | (134,658) |
| Amounts recoverable from retakaful operators | | - | - | 22,431 | - | 127,507 | 149,938 |
| **Net income or expense from retakaful certificates held** | 16 | (134,658) | - | 22,431 | - | 127,507 | 15,280 |
| **Retakaful finance income** | 20 | (10,855) | - | - | - | - | (10,855) |
| **Effect of changes in non-performance risk of retakaful operators** | 20 | (6,085) | - | - | - | - | (6,085) |
| **Total changes in the statement of profit or loss and OCI** | | (151,598) | - | 22,431 | - | 127,507 | (1,660) |
| **Cash flows** | | | | | | | |
| Contributions paid | | 138,055 | - | - | - | - | 138,055 |
| Amounts received | | - | - | (5,202) | - | (87,583) | (92,785) |
| **Total cash flows** | | 138,055 | - | (5,202) | - | (87,583) | 45,270 |
| **Other movements** | | 297 | - | - | - | (375) | (78) |
| **Net retakaful certificate assets as at 31 December** | | (109,936) | - | 17,192 | - | 144,240 | 51,496 |
| Retakaful certificate assets as at 31 December | | (81,171) | - | 17,192 | - | 141,300 | 77,321 |
| Retakaful certificate liabilities as at 31 December | | (28,765) | - | - | - | 2,940 | (25,825) |
| **Net retakaful certificate assets as at 31 December** | | (109,936) | - | 17,192 | - | 144,240 | 51,496 |

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held**

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Family Takaful Fund.

| | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| **Family Takaful Fund** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Retakaful certificate assets as at 1 January | 71,599 | - | - | 71,599 | 36,053 | - | - | 36,053 |
| Retakaful certificate liabilities as at 1 January | (34,912) | - | - | (34,912) | (34,912) | - | - | (34,912) |
| **Net retakaful certificate assets as at 1 January** | 36,687 | - | - | 36,687 | 1,141 | - | - | 1,141 |
| Changes that relate to current services | | | | | | | | |
| Risk adjustment for the risks expired | - | (3,359) | - | (3,359) | - | (5,337) | - | (5,337) |
| Experience adjustments | (123,036) | - | - | (123,036) | (117,561) | - | - | (117,561) |
| Changes that relate to future services | | | | | | | | |
| Certificates initially recognised in the period | (729) | 1,842 | (1,113) | - | (5,815) | 854 | 4,961 | - |
| Changes in estimates that adjust the contractual service margin | 170,095 | (8,759) | (161,336) | - | 33,422 | 39,604 | (73,026) | - |
| Changes that relate to past services | | | | | | | | |
| Changes in amounts recoverable arising from changes in liability for incurred claims | 137,122 | - | - | 137,122 | 123,627 | - | - | 123,627 |
| **Retakaful finance expenses** | (200,546) | 10,276 | 162,449 | (27,821) | (27,588) | (35,121) | 68,065 | 5,356 |
| **Effect of changes in non-performance risk of retakaful operators** | 17,094 | - | - | 17,094 | (6,085) | - | - | (6,085) |
| **Total changes in the statement of profit or loss and OCI** | - | - | - | - | - | - | - | - |

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held (continued)**

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Family Takaful Fund. (continued)

| | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| **Family Takaful Fund** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Cash flows** | | | | | | | | |
| Contributions paid | 168,284 | - | - | 168,284 | 123,206 | - | - | 123,206 |
| Amount received | (188,367) | - | - | (188,367) | (87,582) | - | - | (87,582) |
| **Total cash flows** | (20,083) | - | - | (20,083) | 35,624 | - | - | 35,624 |
| **Other movements** | - | - | - | - | (78) | - | - | (78) |
| **Net retakaful certificate assets as at 31 December** | 16,604 | - | - | 16,604 | 36,687 | - | - | 36,687 |
| Retakaful certificate assets as at 31 December | 51,516 | - | - | 51,516 | 71,599 | - | - | 71,599 |
| Retakaful certificate liabilities as at 31 December | (34,912) | - | - | (34,912) | (34,912) | - | - | (34,912) |
| **Net retakaful certificate assets as at 31 December** | 16,604 | - | - | 16,604 | 36,687 | - | - | 36,687 |

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held (continued)**

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Company.

| | **2025** | | | | **2024** | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Retakaful certificate assets as at 1 January | 71,445 | - | - | 71,445 | 35,899 | - | - | 35,899 |
| Retakaful certificate liabilities as at 1 January | (25,825) | - | - | (25,825) | (25,825) | - | - | (25,825) |
| **Net retakaful certificate assets as at 1 January** | 45,620 | - | - | 45,620 | 10,074 | - | - | 10,074 |
| Changes that relate to current services | | | | | | | | |
| Risk adjustment for the risks expired | - | (3,358) | - | (3,358) | - | (5,336) | - | (5,336) |
| Experience adjustments | (123,036) | - | - | (123,036) | (117,561) | - | - | (117,561) |
| Changes that relate to future services | | | | | | | | |
| Certificates initially recognised in the period | (730) | 1,842 | (1,112) | - | (5,815) | 854 | 4,961 | - |
| Changes in estimates that adjust the contractual service margin | 170,095 | (8,759) | (161,336) | - | 33,423 | 39,603 | (73,026) | - |
| Changes that relate to past services | | | | | | | | |
| Changes in amounts recoverable arising from changes in liability for incurred claims | 137,121 | - | - | 137,121 | 123,627 | - | - | 123,627 |
| **Retakaful finance income** | (200,544) | 10,275 | 162,448 | (27,821) | (27,588) | (35,121) | 68,065 | 5,356 |
| **Effect of changes in non-performance risk of retakaful operators** | 17,094 | - | - | 17,094 | (6,086) | - | - | (6,086) |
| **Total changes in the statement of profit or loss and OCI** | - | - | - | - | - | - | - | - |

**7. Takaful and retakaful certificates (continued)**

**Retakaful certificates held (continued)**

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Company.

| | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** | **Estimates of the Present Value of future cash** | **Risk adjustment** | **Contractual service margin** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Cash flows** | | | | | | | | |
| Contributions paid | 168,283 | - | - | 168,283 | 123,207 | - | - | 123,207 |
| Amount received | (188,367) | - | - | (188,367) | (87,583) | - | - | (87,583) |
| **Total cash flows** | (20,084) | - | - | (20,084) | 35,624 | - | - | 35,624 |
| **Other movements** | - | - | - | - | (78) | - | - | (78) |
| **Net retakaful certificate assets as at 31 December** | 25,536 | - | - | 25,536 | 45,620 | - | - | 45,620 |
| Retakaful certificate assets as at 31 December | 51,360 | - | - | 51,360 | 71,445 | - | - | 71,445 |
| Retakaful certificate liabilities as at 31 December | (25,824) | - | - | (25,824) | (25,825) | - | - | (25,825) |
| **Net retakaful certificate assets as at 31 December** | 25,536 | - | - | 25,536 | 45,620 | - | - | 45,620 |

**7. Takaful and Retakaful certificate (continued)**

**(vii) CSM recognition in profit or loss**

Presented below is an estimated timing of when CSM is expected to be recognised in profit or loss in future years:

| | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Company** | | | | | | | |
| **31 December 2025** | | | | | | | |
| Family takaful certificates issued | 195,341 | 170,688 | 151,670 | 135,185 | 120,754 | 1,013,014 | 1,786,652 |
| **31 December 2024** | | | | | | | |
| Family takaful certificates issued | 202,421 | 172,384 | 152,047 | 136,248 | 122,389 | 1,030,814 | 1,816,303 |

The Company expects to recognise the CSM in profit or loss for existing certificates over the coverage period for the certificates in force issued by the Company.

## 8. Other receivables

| | Family Takaful Fund 2025 RM'000 | Family Takaful Fund 2024 RM'000 | Company 2025 RM'000 | Company 2024 RM'000 |
|---|---|---|---|---|
| Income due and accrued | 49,354 | 43,748 | 52,246 | 46,096 |
| Less: Allowance for impairment loss | (6,003) | (4,843) | (7,472) | (6,033) |
| Other receivables | 125,932 | 124,417 | 146,349 | 126,250 |
| | 169,283 | 163,322 | 191,123 | 166,313 |

**Reconciliation of allowance account**

A reconciliation of the allowance for the impairment losses for other receivables are as follows:

| | Family Takaful Fund 2025 RM'000 | Family Takaful Fund 2024 RM'000 | Company 2025 RM'000 | Company 2024 RM'000 |
|---|---|---|---|---|
| As at 1 January | 4,843 | 4,711 | 6,033 | 6,008 |
| Increase | 1,160 | 132 | 1,439 | 25 |
| As at 31 December | 6,003 | 4,843 | 7,472 | 6,033 |

## 9. Cash and cash equivalents

| | Family Takaful Fund 2025 RM'000 | Family Takaful Fund 2024 RM'000 | Company 2025 RM'000 | Company 2024 RM'000 |
|---|---|---|---|---|
| Cash and bank balances | 144,452 | 147,294 | 204,941 | 182,098 |
| Fixed and call deposits with licensed financial institutions with original maturity of less than three months | 137,000 | 165,000 | 157,000 | 210,000 |
| | 281,452 | 312,294 | 361,941 | 392,098 |

Included in the cash and cash equivalents of the Company are the balances placed with the Holding Company of RM96,751,430 (2024: RM151,567,038).

## 10. Share Capital

| | 2025 Number of shares | 2025 Amount RM'000 | 2024 Number of shares | 2024 Amount RM'000 |
|---|---|---|---|---|
| Issued and fully paid shares classified as equity instruments: | | | | |
| Ordinary shares | | | | |
| At 1 January/31 December | 58,823,530 | 100,000 | 58,823,530 | 100,000 |

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.

## 11. Other payables

| | Family Takaful Fund | | Company | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other payables | 42,547 | 12,352 | 48,241 | 25,138 |
| Accruals | 542 | 556 | 8,398 | 8,712 |
| Amount due to takaful operator | 205,975 | 226,258 | - | - |
| | 249,064 | 239,166 | 56,639 | 33,850 |

The amount due to takaful operator is unsecured, free of any rate of return and is repayable on demand.

## 12. Subordinated Sukuk

| | Company | |
|---|---|---|
| | 2025 | 2024 |
| | RM'000 | RM'000 |
| Sukuk Wakalah: | | |
| Balance at beginning of year | 160,000 | 100,000 |
| Issuance during the financial year | - | 60,000 |
| Balance at end of year | 160,000 | 160,000 |

On 29 December 2023, the Company established a RM300 million Subordinated Islamic Medium Term Notes (“T2 Sukuk Wakalah”) Programme based on the shariah principle of wakalah Bi Al-Istithmar. Each issuance of Tier 2 Subordinated Sukuk under this programme shall have a tenure of at least ten (10) years from the issue date, and is callable on any profit payment date after a minimum period of five (5) years from the date of issuance of each tranche. The repayment terms are obligatory, with the principal amount of each tranche of Sukuk required to be repaid in full at maturity, unless redeemed earlier in accordance with the terms of the Sukuk. Profit payments are also obligatory and must be made periodically as stipulated in the Sukuk agreement.

The subordinated sukuk was subscribed by Bank Simpanan Nasional and Prudential Corporation Holdings Limited. The proceeds of the T2 Sukuk Wakalah shall be made available for the working capital and corporate purposes of the Issuer, and the refinancing of the T2 Sukuk Wakalah and/or Shariah compliant capital instruments.

There were no new issuances of sukuk made during the current financial year.

## 13. Deferred tax liabilities

| | Family Takaful Fund | | Company | |
|---|---|---|---|---|
| | 2025 RM'000 | 2024 RM'000 | 2025 RM'000 | 2024 RM'000 |
| Deferred tax liabilities | (33,172) | (19,555) | (465,961) | (403,646) |

Movement in recognised temporary differences during the year:

| | Note | At 1.1.2024 RM'000 | Recognised in profit or loss RM'000 | At 31.12.2024/ 1.1.2025 RM'000 | Recognised in profit or loss RM'000 | At 31.12.2025 RM'000 |
|---|---|---|---|---|---|---|
| **Family Takaful Fund** | | | | | | |
| Provisions | | 1,169 | 109 | 1,278 | 216 | 1,494 |
| Fair value losses/(gains) | | 8,062 | (28,895) | (20,833) | (13,833) | (34,666) |
| | 24 | 9,231 | (28,786) | (19,555) | (13,617) | (33,172) |
| **Company** | | | | | | |
| Property and equipment | | (3,303) | (3,742) | (7,045) | (4,806) | (11,851) |
| Provisions | | 38,474 | 18,877 | 57,351 | 22,316 | 79,667 |
| Fair value losses/(gains) | | 7,094 | (29,394) | (22,300) | (13,927) | (36,227) |
| Leases | | 613 | (1,812) | (1,199) | 146 | (1,053) |
| Takaful certificate and retakaful certificate held | | (390,488) | (39,965) | (430,453) | (66,044) | (496,497) |
| | | (347,610) | (56,036) | (403,646) | (62,315) | (465,961) |

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

## 14. Takaful revenue

The table below presents an analysis of the total takaful revenue recognised during the year:

| | Note | Family Takaful Fund 2025 RM'000 | Family Takaful Fund 2024 RM'000 | Company 2025 RM'000 | Group and Company 2024 RM'000 |
|---|---|---|---|---|---|
| **Certificates not measured under PAA** | | | | | |
| **Amounts relating to the changes in the liability for remaining coverage** | | | | | |
| Expected claims and takaful service expenses incurred during the year | | 1,687,123 | 1,548,713 | 1,432,479 | 1,255,723 |
| Change in risk adjustment for non-financial risk | | - | - | 102,885 | 89,268 |
| Amount of CSM recognised in profit or loss | | - | - | 199,632 | 197,185 |
| Other amount | | (324) | (36,901) | 201,042 | 217,832 |
| **Amounts relating to recovery of takaful acquisition cash flows** | | 6,539 | 2,673 | 720,559 | 647,735 |
| Takaful revenue - certificates not measured under PAA | | 1,693,338 | 1,514,485 | 2,656,597 | 2,407,743 |
| Takaful revenue - certificates measured under PAA | | 108,265 | 54,004 | 145,755 | 77,127 |
| Total takaful revenue | 7(i) | 1,801,603 | 1,568,489 | 2,802,352 | 2,484,870 |

## 15. Takaful service expenses

The table below presents an analysis of the total takaful service expenses recognised during the year:

| | Note | Family Takaful Fund 2025 RM'000 | Family Takaful Fund 2024 RM'000 | Company 2025 RM'000 | Group and Company 2024 RM'000 |
|---|---|---|---|---|---|
| Incurred claims and other takaful service expenses | a | (1,675,963) | (1,605,579) | (1,713,282) | (1,721,650) |
| Amortisation of acquisition cash flows | b | (6,539) | (2,673) | (720,559) | (647,735) |
| Losses on onerous contracts | | - | - | (20,108) | (11,567) |
| Changes to liabilities for incurred claims | | 115,894 | 152,824 | 115,894 | 152,824 |
| | | (1,566,608) | (1,455,428) | (2,338,055) | (2,228,128) |
| Represented by: | | | | | |
| Contracts not measured under PAA | | (1,478,736) | (1,382,573) | (2,234,746) | (2,140,955) |
| Contracts measured under PAA | | (87,872) | (72,855) | (103,309) | (87,173) |
| | 8(i) | (1,566,608) | (1,455,428) | (2,338,055) | (2,228,128) |

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

**15. Takaful service expenses (continued)**

The table below presents an analysis of the total takaful service expenses recognised during the year: (continued)

| | Note | Family Takaful Fund | | Company | Group and Company |
|---|---|---|---|---|---|
| | | 2025 | 2024 | 2025 | 2024 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Included in incurred claims and other takaful service expenses are the following: | | | | | |
| Wakalah fees | | (983,148) | (984,400) | - | - |
| Surplus to Shareholder's Fund | | (118,000) | (89,000) | - | - |
| Surplus to participants | | (33,041) | (36,443) | (33,041) | (36,443) |

(b) A breakdown of expenses incurred by the Company is provided as follows:

| | Note | Company 2025 RM'000 | Company 2024 RM'000 |
|---|---|---|---|
| Commission expense | | 537,902 | 550,664 |
| Sales & Distribution expenses | | 47,677 | 44,277 |
| Retirement gratuity benefit | | 50,477 | 52,599 |
| Salaries and bonus | | 131,593 | 113,521 |
| Contributions to defined contribution plans | | 19,833 | 16,926 |
| Other personnel expenses | | 22,968 | 16,700 |
| Directors' remuneration and related expenses | 21 | 1,257 | 1,284 |
| Shariah committee members' remuneration and related expenses | 22 | 297 | 304 |
| Auditors' fees | | | |
| - statutory audit | | 783 | 755 |
| - regulatory related services | | 122 | 122 |
| Depreciation of property and equipment | 3 | 3,748 | 2,969 |
| Depreciation of right of use assets | 4 | 5,095 | 4,446 |
| Amortisation of intangible assets | 5 | 28,628 | 20,254 |
| Profit expenses on lease liabilities | | 2,467 | 2,306 |
| Other expenses | | 231,960 | 230,876 |
| Total expenses incurred | | 1,084,807 | 1,058,003 |

**15. Takaful service expenses (continued)**

The table below presents an analysis of the total takaful service expenses recognised during the year: (continued)

b. A breakdown of expenses incurred by the Company is provided as follows: (continued)

| | Company | |
|---|---|---|
| | 2025 | 2024 |
| | RM'000 | RM'000 |
| Represented by: | | |
| Takaful service expenses: | 1,068,548 | 1,053,517 |
| Maintenance expenses | 208,520 | 171,917 |
| Acquisition expenses | 860,028 | 881,600 |
| Other expenses | 16,259 | 4,486 |
| | 1,084,807 | 1,058,003 |

**16. Net (expenses)/income from retakaful certificates held**

An analysis of net (expenses)/income from retakaful certificates held during the year is as below:

| | | Family Takaful Fund | | Company | Group and Company |
|---|---|---|---|---|---|
| | Note | 2025 RM'000 | 2024 RM'000 | 2025 RM'000 | 2024 RM'000 |
| **Amounts relating to the changes in the assets for remaining coverage** | | | | | |
| Expected recovery for takaful service expenses incurred during the year | | (139,246) | (127,661) | (141,317) | (129,321) |
| Changes in risk adjustment for non-financial risk | | (3,357) | (5,337) | (3,357) | (5,337) |
| **Allocation of retakaful contributions** | | (142,603) | (132,998) | (144,674) | (134,658) |
| **Amounts recoverable for claims and other expenses incurred during the year** | | | | | |
| Amounts recoverable for claims | | 147,690 | 129,564 | 147,690 | 129,564 |
| Changes in amounts recoverable arising from changes in liability for incurred claims | | 18,918 | 20,374 | 18,918 | 20,374 |
| **Amounts recoverable from retakaful operators** | | 166,608 | 149,938 | 166,608 | 149,938 |
| **Net income from retakaful certificates held** | 7(vi) | 24,005 | 16,940 | 21,934 | 15,280 |

## 16. Net (expenses)/income from retakaful certificates held (continued)

An analysis of net (expenses)/income from retakaful certificates held during the year is as below: (continued)

| | Family Takaful Fund | | Company | Group and Company |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Allocation of retakaful contributions represented by:** | | | | |
| Contracts not measured under PAA | (129,031) | (126,779) | (129,031) | (126,777) |
| Contracts measured under PAA | (13,572) | (6,219) | (15,643) | (7,881) |
| | (142,603) | (132,998) | (144,674) | (134,658) |
| **Amounts recoverable from retakaful operators represented by:** | | | | |
| Contracts not measured under PAA | 139,758 | 127,507 | 139,758 | 127,507 |
| Contracts measured under PAA | 26,850 | 22,431 | 26,850 | 22,431 |
| | 166,608 | 149,938 | 166,608 | 149,938 |

## 17. Net investment income

| | Family Takaful Fund | | Company | | Group |
|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2024 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Dividend income | 105,374 | 91,302 | 124,842 | 106,651 | 99,909 |
| Profit income from: | | | | | |
| Malaysian government investment issue | 27,694 | 18,492 | 28,608 | 18,924 | 26,034 |
| Islamic debt securities | 92,036 | 91,171 | 94,025 | 93,476 | 40,640 |
| Deposits with financial institutions | 23,214 | 26,062 | 36,953 | 38,867 | 93,476 |
| Other investment income | 2,771 | 446 | 2,886 | 500 | 490 |
| | 251,089 | 227,473 | 287,314 | 258,418 | 260,549 |
| Impairment of Islamic debt securities | (1,160) | (73) | (1,445) | (25) | (25) |
| Investment expenses | (5,560) | (5,098) | (17,636) | (17,955) | (17,955) |
| | 244,369 | 222,302 | 268,233 | 240,438 | 242,569 |

## 18. Realised (losses)/gains

| | Family Takaful Fund | | Company | | Group |
|---|---|---|---|---|---|
| | 2025 RM'000 | 2024 RM'000 | 2025 RM'000 | 2024 RM'000 | 2024 RM'000 |
| Financial assets at FVTPL: | | | | | |
| Realised gains: | | | | | |
| Islamic debt securities | 8,372 | 5,940 | 8,435 | 5,983 | 5,983 |
| Equity securities | 62,781 | 117,070 | 62,781 | 117,070 | 117,070 |
| Collective investment schemes | 2,740 | 908 | 5,630 | 1,651 | 1,651 |
| Realised losses: | | | | | |
| Islamic debt securities | (2,658) | (1,832) | (2,658) | (1,886) | (2,171) |
| Equity securities | (184,692) | (91,742) | (184,692) | (91,742) | (91,742) |
| Collective investment schemes | (668) | (16) | (836) | (310) | (310) |
| | (114,125) | 30,328 | (111,340) | 30,766 | 30,481 |

## 19. Fair value gains

| | | Family Takaful Fund | | Company | | Group |
|---|---|---|---|---|---|---|
| | Note | 2025 RM'000 | 2024 RM'000 | 2025 RM'000 | 2024 RM'000 | 2024 RM'000 |
| Financial assets at FVTPL | 6(b) | 170,217 | 359,173 | 170,453 | 361,168 | 360,104 |

## 20. Net takaful finance result

The table below presents an analysis of net takaful finance result recognised in profit or loss during the year:

| | | Family Takaful Fund | | Company | Group and Company |
|---|---|---|---|---|---|
| | | 2025 | 2024 | 2025 | 2024 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Takaful certificates issued** | | | | | |
| Takaful finance expenses from takaful certificates issued | | | | | |
| Profit accreted to takaful certificates using current financial assumptions | | (107,088) | (121,670) | (3,153) | (25,384) |
| Profit accreted to takaful certificates using locked-in rate | | - | - | (59,452) | (59,008) |
| Changes in fair value of the underlying items | | (83,755) | (5,175) | (83,755) | (5,175) |
| Effect of changes in profit rates and other financial assumptions | | (330,781) | (562,698) | (317,395) | (549,677) |
| | 7(i) | (521,624) | (689,543) | (463,755) | (639,244) |
| Retakaful finance expenses from retakaful certificates held | | | | | |
| Effect of changes in profit rates and other financial assumptions | | (41,099) | (10,855) | (41,099) | (10,855) |
| Changes in non-performance risk of retakaful operators | | 17,094 | (6,085) | 17,094 | (6,085) |
| | 7(v) | (24,005) | (16,940) | (24,005) | (16,940) |
| **Net takaful finance result** | | (545,629) | (706,483) | (487,760) | (656,184) |

# Prudential BSN Takaful Berhad
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

## 21. Directors' remuneration and related expenses

| | Note | Company 2025 RM'000 | Company 2024 RM'000 |
|---|---|---|---|
| **Directors** | | | |
| *Non-deferred remuneration* | | | |
| Fixed remuneration | | | |
| Fees | | 905 | 920 |
| Other remuneration | | 352 | 364 |
| | 15 | 1,257 | 1,284 |

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

| | Fees RM'000 | Other remunerations RM'000 | Total RM'000 |
|---|---|---|---|
| **2025 - Company** | | | |
| Non-Executive Directors | | | |
| Ezamshah bin Ismail | 191 | 80 | 271 |
| Rossana Annizah binti Rashid | 202 | 68 | 270 |
| Mazidah binti Abdul Malik | 188 | 80 | 268 |
| Tunku Alizakri bin Raja Muhammad Alias | 172 | 62 | 234 |
| Zarir bin Mohd Rawi @ Mohd Rauf* | 152 | 62 | 214 |
| | 905 | 352 | 1,257 |

* Per BSN Board's decision on 28 September 2021, effective 1 January 2022, any fees and emoluments payable to BSN nominee director are to be remitted to BSN corporate account.

| | Fees RM'000 | Other remunerations RM'000 | Total RM'000 |
|---|---|---|---|
| **2024 - Group and Company** | | | |
| Non-Executive Directors | | | |
| Ezamshah bin Ismail | 189 | 82 | 271 |
| Rossana Annizah binti Rashid | 200 | 68 | 268 |
| Mazidah binti Abdul Malik | 186 | 82 | 268 |
| Madzlan bin Mohamad Hussain (retired w.e.f. 30 June 2024) | 75 | 33 | 108 |
| Tunku Alizakri bin Raja Muhammad Alias | 170 | 55 | 225 |
| Zarir bin Mohd Rawi @ Mohd Rauf* (appointed w.e.f. 1 May 2024) | 100 | 44 | 144 |
| | 920 | 364 | 1,284 |

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

## 22. Shariah Committee Members' Remuneration and Related Expenses

| | | **Company** | **Group and Company** |
|---|---|---|---|
| | | **2025** | **2024** |
| | **Note** | **RM'000** | **RM'000** |
| **Shariah Committee members** | | | |
| *Non-deferred remuneration* | | | |
| Fixed remuneration | | | |
| Fees | | 252 | 257 |
| Other remuneration | | 45 | 47 |
| | 15 | 297 | 304 |

The total remuneration received by Shariah Committee members during the financial year are as follows:

| **2025 - Company** | **Fees** | **Other remunerations** | **Total** |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| Shariah Committee members | | | |
| Dr. Akhtarzaite binti Abdul Aziz | 60 | 9 | 69 |
| Assoc. Prof. Dr. Sa'id Adekunle Mikail | 48 | 9 | 57 |
| Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi | 48 | 9 | 57 |
| Assoc. Prof. Dr. Kamaruzaman Noordin | 48 | 9 | 57 |
| Assoc. Prof. Dr. Abdul Manan bin Ismail | 48 | 9 | 57 |
| | 252 | 45 | 297 |

| **2024 - Group and Company** | | | |
|---|---|---|---|
| Shariah Committee members | | | |
| Dr. Abdullaah bin Jalil | 35 | 5 | 40 |
| (Chairman, End of tenure: 30 June 2024) | 48 | 10 | 58 |
| Assoc. Prof. Dr. Sa'id Adekunle Mikail | | | |
| Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi | 48 | 9 | 57 |
| Dr. Akhtarzaite binti Abdul Aziz (Chairman, Effective 1 July 2024) | 54 | 10 | 64 |
| Assoc. Prof. Dr. Kamaruzaman Noordin | 48 | 9 | 57 |
| Assoc. Prof. Dr. Abdul Manan bin Ismail (Effective 1 July 2024) | 24 | 4 | 28 |
| | 257 | 47 | 304 |

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

## 23. 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 and Underwriting. The following is the total compensation of KMPs excluding CEO:

| | Company | Group and Company |
|---|---|---|
| | **2025** | **2024** |
| | **RM'000** | **RM'000** |
| **Key management personnel** | | |
| *Non-deferred remuneration* | | |
| Fixed remuneration | | |
| Cash-based | 5,879 | 6,164 |
| Contributions to defined contribution plans | 921 | 937 |
| | 6,800 | 7,101 |
| Variable remuneration | | |
| Cash-based | 1,845 | 1,303 |
| Contributions to defined contribution plans | 286 | 166 |
| Others | 265 | 257 |
| | 2,396 | 1,726 |
| *Deferred remuneration* | | |
| Variable remuneration | | |
| Cash-based | 1,031 | 1,258 |
| Contributions to defined contribution plans | 109 | 109 |
| | 1,140 | 1,367 |
| | 10,336 | 10,194 |

| | **2025** | **2024** |
|---|---|---|
| Number of key management personnel receiving variable remuneration | 9 | 13 |

| | **2025** | **2024** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Total amount outstanding deferred remuneration (unvested) | | |
| Cash-based | 3,544 | 3,584 |

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.

**23. Key management personnel compensation (continued)**

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

| | Company | Group and Company |
|---|---|---|
| | **2025** | **2024** |
| | **RM'000** | **RM'000** |
| **Chief Executive Officer** | | |
| *Non-deferred remuneration* | | |
| Fixed remuneration | | |
| Cash-based | 1,153 | 1,153 |
| Contributions to defined contribution plans | 180 | 180 |
| | 1,333 | 1,333 |
| Variable remuneration | | |
| Cash-based | 732 | 733 |
| Contributions to defined contribution plans | 113 | 114 |
| Others | 70 | 22 |
| | 915 | 869 |
| *Deferred remuneration* | | |
| Variable remuneration | | |
| Cash-based | 731 | 481 |
| Contributions to defined contribution plans | 4 | 3 |
| | 735 | 484 |
| | 2,983 | 2,686 |

## 24. Tax expense

Domestic corporate income tax for the 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.

| | | 2025 | | 2024 | | |
|---|---|---|---|---|---|---|
| | Note | Attributable to participants RM'000 | Attributable to takaful operator RM'000 | Attributable to participants RM'000 | Attributable to takaful operator RM'000 | Group RM'000 |
| Malaysian taxation | | | | | | |
| - Current year tax expense | | 820 | 30,696 | 10,493 | 28,065 | 28,065 |
| - (Over)/Under provision in prior year | | (153) | (5,414) | (3,207) | 2,605 | 2,605 |
| | | 667 | 25,282 | 7,286 | 30,670 | 30,670 |
| Deferred tax liabilities | | | | | | |
| - Reversal and origination of temporary differences | 13 | 13,617 | 48,066 | 28,786 | 25,950 | 25,950 |
| - Under provision in prior year | | - | 632 | - | 1,301 | 1,301 |
| | | 14,284 | 73,980 | 36,072 | 57,921 | 57,921 |

## 24. Tax expense (continued)

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

| | 2025 Attributable to participants RM'000 | 2025 Attributable to takaful operator RM'000 | 2024 Attributable to participants RM'000 | 2024 Attributable to takaful operator RM'000 | 2024 Group RM'000 |
|---|---|---|---|---|---|
| Surplus/Profit before taxation | 14,284 | 303,218 | 36,072 | 239,118 | 239,611 |
| Taxation at applicable Malaysian statutory tax rate | 1,143 | 72,772 | 2,886 | 57,388 | 57,507 |
| Income not subject to tax | (43,225) | (8,100) | (43,543) | (12,460) | (12,579) |
| Non-deductible expenses | 56,519 | 16,161 | 79,884 | 11,814 | 11,814 |
| Other - Special tax relief | - | (2,071) | - | (2,030) | (2,030) |
| | 14,437 | 78,762 | 39,227 | 54,712 | 54,712 |
| (Over)/Under provision of current tax in prior year | (153) | (5,414) | (3,207) | 2,605 | 2,605 |
| Under provision of deferred tax in prior year | - | 632 | - | 1,301 | 1,301 |
| Others | - | - | 52 | (697) | (697) |
| | 14,284 | 73,980 | 36,072 | 57,921 | 57,921 |

## 25. Segment information on cash flows

| | 2025 Family Takaful Fund RM'000 | 2025 Company RM'000 | 2024 Family Takaful Fund RM'000 | 2024 Company RM'000 | 2024 Group RM'000 |
|---|---|---|---|---|---|
| Cash flows generated from/(used in): | | | | | |
| Operating activities | 445,468 | 501,679 | 370,766 | 439,848 | 439,491 |
| Investing activities | (476,310) | (527,594) | (355,908) | (532,503) | (484,741) |
| Financing activities | - | (4,242) | - | 56,316 | 137,419 |
| Net (decrease)/increase | (30,842) | (30,157) | 14,858 | (36,339) | 92,169 |

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

(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 and Underwriting.

### Significant related party transactions

The significant related party transactions of the Company, other than directors' remuneration and key management personnel compensation as disclosed in Note 21 and 23, are as follows:

| | Transaction amount for the year ended 31 December (Income)/Expense | |
|---|---|---|
| | Company | Group and Company |
| | 2025 RM'000 | 2024 RM'000 |
| **Holding company - Malaysia** | | |
| **Investment income** | | |
| (i) Profit from deposit placements | (13,812) | (11,070) |
| **Operating Expenditure** | | |
| (i) Commission expenses | 29,541 | 28,592 |
| (ii) Sales related expenses | 17,344 | 12,057 |
| (iii) Other management expenses | 3,708 | 2,425 |

## 26. Related parties (continued)

### Significant related party transactions (continued)

| | Transaction amount for the year ended 31 December (Income)/Expense | |
|---|---|---|
| | Company | Group and Company |
| | 2025 | 2024 |
| | RM'000 | RM'000 |
| **Affiliated companies** | | |
| **Operating Expenditure** | | |
| (i) Other management expenses | 34,564 | 16,666 |
| (ii) Sales related expenses | 27,127 | 44,549 |
| (iii) Information Technology (IT) related expenses and services | 28,755 | 22,181 |
| (iv) Operation and other services | (675) | (448) |
| (v) Office rental | 1,328 | 940 |
| (vi) Fund management fees | 5,364 | 8,854 |
| (vii) Project management | 3,455 | 2,572 |
| (viii) Zakat and donation | 1,650 | 1,784 |
| **Capital Expenditure** | | |
| (i) Hardware & Software development | 3,228 | 8,164 |
| (ii) Information Technology (IT) related expenses and services | 3,166 | 4,892 |

### Significant related party balances

| | | Gross balance outstanding 31 December | |
|---|---|---|---|
| | | Company | Group and Company |
| | | 2025 | 2024 |
| | Note | RM'000 | RM'000 |
| **Amount due to related companies** | | | |
| (i) Prudential Assurance Malaysia Berhad | | 18,720 | 25,476 |
| (ii) Prudential Singapore Services Pte. Ltd. | | 5,550 | 12,112 |
| (iii) Prudential Corporation Holdings Limited | | 87,723 | 83,812 |
| (iv) Prudential Services Asia Sdn Bhd | | 143 | 2,265 |
| (v) Eastspring Al-Wara' Investments Berhad | | 5,756 | 4,529 |
| **Amount due from related companies** | | | |
| (i) Eastspring Investments Berhad | | 15 | - |
| **Amount due from Holding Company** | | | |
| (i) Cash and cash equivalents | 9 | 96,751 | 151,567 |
| (ii) Deposits with financial institutions | 6 | 327,089 | 337,782 |
| (iii) Other receivables | | 141 | 141 |
| **Amount due to Holding Company** | | | |
| (i) Subordinated sukuk | | 81,600 | 81,600 |
| (ii) Accrued of other management expense | | 88 | 82 |

# Prudential BSN Takaful Berhad
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

## 27. Investment-linked business

### Statement of financial position as at 31 December

| | 2025<br>RM'000 | 2024<br>RM'000 |
|---|---|---|
| **Assets** | | |
| Investments | 4,088,267 | 3,842,716 |
| Income due and accrued | 8,625 | 6,976 |
| Amount due from takaful operator/family takaful fund | 91,214 | 89,192 |
| Other receivables | 12,592 | 3,848 |
| Current tax assets | 5,059 | - |
| Cash and bank balances | 26,335 | 12,393 |
| Total Investment-linked business assets | 4,232,092 | 3,955,125 |
| **Liabilities** | | |
| Other payables | 10,778 | 6,031 |
| Current tax liabilities | - | 2,999 |
| Amount due to takaful operator | - | 6,095 |
| Deferred tax liabilities | 29,141 | 17,924 |
| Total Investment-linked business liabilities | 39,919 | 33,049 |
| Net asset value of funds | 4,192,173 | 3,922,076 |
| Represented by: | | |
| Unit holders' account | 4,192,173 | 3,922,076 |

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

| | 2025<br>RM'000 | 2024<br>RM'000 |
|---|---|---|
| Investment income | 112,727 | 106,448 |
| Realised (losses)/gains | (119,495) | 26,269 |
| Fair value gains | 140,209 | 355,791 |
| Investment management fees | (52,477) | (54,273) |
| Investment expenses | (100) | (98) |
| Other expenses | - | (5) |
| Other operating income | 11,318 | 12,839 |
| Profit before taxation | 92,182 | 446,971 |
| Taxation | 4,882 | (2,212) |
| Profit after taxation | 97,064 | 444,759 |

## 28. 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 Asas series and PruBSN Warisan series. 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 Anugerah series, PruBSN Aspirasi, BSN Fitrah, PruBSN Anggun, Sakinah, Mortgage Reducing Term Takaful and Reducing Term Takaful.

### (a) Family takaful certificates

**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.

**28. Takaful risk management (continued)**

**(a) Family takaful certificates (continued)**

**Concentration of takaful risk (continued)**

**Concentration of risk based on net takaful certificate liabilities**

| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|---|---|---|
| **2025** | | | |
| Endowment | 4,811,903 | 172,183 | 4,984,086 |
| Term | 907,916 | (60,979) | 846,937 |
| Mortgage | 661,464 | (132,477) | 528,987 |
| **Total Company** | 6,381,283 | (21,273) | 6,360,010 |
| **2024** | | | |
| Endowment | 4,705,427 | 121,966 | 4,827,393 |
| Term | 603,762 | (80,453) | 523,309 |
| Mortgage | 592,088 | (93,009) | 499,079 |
| **Total Company** | 5,901,277 | (51,496) | 5,849,781 |

**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.

## 28. Takaful risk management (continued)

### (a) Family takaful certificates (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 funds 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*

The time value of money is considered by discounting the Takaful certificates liabilities using risk free rate plus illiquidity premium where applicable.

**Sensitivities**

The sensitivity analysis is performed on the Yearly Renewable Term - Family liabilities. However, the Yearly Renewable Term - Health has been excluded due to its relative small size and immateriality.

## 28. Takaful risk management (continued)

### (a) Family takaful certificates (continued)

**Sensitivities (continued)**

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, contractual service margin ("CSM"), profit before tax and equity. 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.

| | Change in assumptions % | Impact on profit before tax gross of retakaful RM'000 | Impact on profit before tax net of retakaful RM'000 | Impact on equity gross of retakaful * RM'000 | Impact on equity net of retakaful * RM'000 |
|---|---|---|---|---|---|
| | | | (Decrease)/Increase | | |
| **Company** | | | | | |
| **2025** | | | | | |
| Mortality/Morbidity rate | +10 | (37,491) | (37,491) | (37,491) | (37,491) |
| Expenses | +10 | (27,851) | (27,851) | (27,851) | (27,851) |
| Lapse and surrender rate | +10 | (40,880) | (40,880) | (40,880) | (40,880) |
| Profit rate | +1 | (194,774) | (194,774) | (194,774) | (194,774) |
| Mortality/Morbidity rate | -10 | 35,137 | 35,137 | 35,137 | 35,137 |
| Expenses | -10 | 27,851 | 27,851 | 27,851 | 27,851 |
| Lapse and surrender rate | -10 | 44,689 | 44,689 | 44,689 | 44,689 |
| Profit rate | -1 | 208,803 | 208,803 | 208,803 | 208,803 |
| **Company** | | | | | |
| **2024** | | | | | |
| Mortality/Morbidity rate | +10 | (30,057) | (30,057) | (30,057) | (30,057) |
| Expenses | +10 | (24,706) | (24,706) | (24,706) | (24,706) |
| Lapse and surrender rate | +10 | (34,676) | (34,676) | (34,676) | (34,676) |
| Profit rate | +1 | (193,818) | (193,818) | (193,818) | (193,818) |
| Mortality/Morbidity rate | -10 | 29,866 | 29,866 | 29,866 | 29,866 |
| Expenses | -10 | 24,706 | 24,706 | 24,706 | 24,706 |
| Lapse and surrender rate | -10 | 38,259 | 38,259 | 38,259 | 38,259 |
| Profit rate | -1 | 207,165 | 207,165 | 207,165 | 207,165 |

* The impact of equity is before the effect of tax.

## 28. Takaful risk management (continued)

### (a) Family takaful certificates (continued)

**Sensitivities (continued)**

| | | Company 2025 | | Company 2024 | |
|---|---|---|---|---|---|
| | Change in assumptions % | Impact on CSM before tax gross of retakaful RM'000 | Impact on CSM before tax net of retakaful RM'000 | Impact on CSM before tax gross of retakaful RM'000 | Impact on CSM before tax net of retakaful RM'000 |
| | | (Decrease)/Increase | | | |
| Mortality/Morbidity rate | +10 | (232,912) | (232,912) | (213,322) | (213,322) |
| Expenses | +10 | (162,160) | (162,160) | (157,876) | (157,876) |
| Lapse and surrender rate | +10 | (281,225) | (281,225) | (272,401) | (272,401) |
| Profit rate | +1 | (25,493) | (25,493) | (25,544) | (25,544) |
| Mortality/Morbidity rate | -10 | 233,109 | 233,109 | 208,806 | 208,806 |
| Expenses | -10 | 162,160 | 162,160 | 157,876 | 157,876 |
| Lapse and surrender rate | -10 | 319,397 | 319,397 | 310,560 | 310,560 |
| Profit rate | -1 | 31,104 | 31,104 | 30,407 | 30,407 |

## 29. Financial Instruments

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

As disclosed in Note 28, 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 the areas of concern that might negatively affect PruBSN investment risk profile, for the attention of the Risk Management Committee, appropriate board-level sub-committee and the Board.

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

***Credit risk***

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company's primary exposure to credit risk arises through its investment in fixed income securities, placements or balances with financial institutions, retakaful contribution receivables and recoveries from retakaful operators.

***Receivables***

*Risk management objectives, policies and process for managing the risk*

Management has taken reasonable steps to ensure that contribution receivables that are neither past due nor impaired are stated at their realisable values. The Company uses aging analysis to monitor the credit quality of contribution receivables. Contribution receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Recoveries from retakaful operators are monitored by the Finance Department. The Company monitors the credit quality and financial conditions on a quarterly basis as part of its overall credit risk management framework. The Company cedes the majority of its business to retakaful operators that are deemed to be qualified retakaful operators under the Risk-Based Capital Framework.

## 29. Financial Instruments (continued)

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

***Investments and deposit placements***

*Risk management objectives, policies and procedures for managing the risk*

For fixed income securities, the Company relies on the ratings assigned by external rating agencies to assess the issuer’s credit risk. Monitoring of credit is carried out by the Finance Department and any adverse changes in the credit profile on a security to below A-rated would be reported to the Investment Committee.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Company has only invested in domestic securities and have placements with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Company does not have overdue investments that have not been impaired.

***Credit exposure***

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and takaful and retakaful assets.

The table below shows the maximum exposure to credit risk for the financial instruments, and takaful and retakaful assets on the statement of financial position.

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Family Takaful Fund RM'000 | Company RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
| Cash and cash equivalents | 281,452 | 361,941 | 312,294 | 392,098 |
| Investments: | | | | |
| Debt instruments at FVTPL | | | | |
| Malaysian government investment issue | 844,284 | 865,825 | 506,518 | 524,657 |
| Islamic debts securities | 2,185,941 | 2,228,718 | 2,117,682 | 2,158,946 |
| Deposits with financial institutions | 421,387 | 765,257 | 397,423 | 692,673 |
| Retakaful certificate assets | 47,992 | 47,097 | 78,156 | 77,321 |
| Other receivables | 175,286 | 198,595 | 168,165 | 172,346 |
| **Total credit risk exposure** | 3,956,342 | 4,467,433 | 3,580,238 | 4,018,041 |

## 29. Financial Instruments (continued)

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

***Credit exposure (continued)***

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's internal assessment.

| | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Neither past due nor impaired RM'000** | **Past due but not impaired RM'000** | **Past due and impaired RM'000** | **Total RM'000** | **Neither past due nor impaired RM'000** | **Past due but not impaired RM'000** | **Past due and impaired RM'000** | **Total RM'000** |
| **Family Takaful Fund** | | | | | | | | |
| Cash and cash equivalents | 281,452 | - | - | 281,452 | 312,294 | - | - | 312,294 |
| Investments: | | | | | | | | |
| Debt instruments at FVTPL | | | | | | | | |
| Malaysian government investment issue | 844,284 | - | - | 844,284 | 506,518 | - | - | 506,518 |
| Islamic debts securities | 2,185,941 | - | - | 2,185,941 | 2,117,682 | - | - | 2,117,682 |
| Deposits with financial institutions | 421,387 | - | - | 421,387 | 397,423 | - | - | 397,423 |
| Retakaful certificate assets | 47,992 | - | - | 47,992 | 78,156 | - | - | 78,156 |
| Other receivables | 169,283 | - | 6,003 | 175,286 | 163,322 | - | 4,843 | 168,165 |
| **Total credit risk exposure** | 3,950,339 | - | 6,003 | 3,956,342 | 3,575,395 | - | 4,843 | 3,580,238 |

The lifetime ECL for the Family Takaful Fund relating to other receivables increased by RM1,160,000 to RM6,003,397 (2024: RM4,843,397).

| | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Neither past due nor impaired RM'000** | **Past due but not impaired RM'000** | **Past due and impaired RM'000** | **Total RM'000** | **Neither past due nor impaired RM'000** | **Past due but not impaired RM'000** | **Past due and impaired RM'000** | **Total RM'000** |
| **Company** | | | | | | | | |
| Cash and cash equivalents | 361,941 | - | - | 361,941 | 392,098 | - | - | 392,098 |
| Investments: | | | | | | | | |
| Debt instruments at FVTPL | | | | | | | | |
| Malaysian government investment issue | 865,825 | - | - | 865,825 | 524,657 | - | - | 524,657 |
| Islamic debts securities | 2,228,718 | - | - | 2,228,718 | 2,158,946 | - | - | 2,158,946 |
| Deposits with financial institutions | 765,257 | - | - | 765,257 | 692,673 | - | - | 692,673 |
| Retakaful certificate assets | 47,097 | - | - | 47,097 | 77,321 | - | - | 77,321 |
| Other receivables | 191,123 | - | 7,472 | 198,595 | 166,313 | - | 6,033 | 172,346 |
| **Total credit risk exposure** | 4,459,961 | - | 7,472 | 4,467,433 | 4,012,008 | - | 6,033 | 4,018,041 |

The lifetime ECL for the Company relating to other receivables increased by RM1,438,455 to RM7,471,824 (2024: RM6,033,369).

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

**29. Financial Instruments (continued)**

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

***Credit exposure by credit rating***

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the counterparties's credit ratings.

| | 2025 | | | | | 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | AAA RM'000 | AA-D RM'000 | Past due but not impaired RM'000 | Not-rated RM'000 | Total RM'000 | AAA RM'000 | AA-D RM'000 | Past due but not impaired RM'000 | Not-rated RM'000 | Total RM'000 |
| **Family Takaful Fund** | | | | | | | | | | |
| Cash and cash equivalents | 279,327 | 2,125 | - | - | 281,452 | 306,988 | 5,306 | - | - | 312,294 |
| Investments: | | | | | | | | | | |
| Debt instruments at FVTPL | | | | | | | | | | |
| Malaysian government investment issue | - | - | - | 844,284 | 844,284 | - | - | - | 506,518 | 506,518 |
| Islamic debts securities | 605,025 | 885,610 | - | 695,306 | 2,185,941 | 706,453 | 836,364 | - | 574,865 | 2,117,682 |
| Deposits with financial institutions | 222,147 | - | - | 199,240 | 421,387 | 307,182 | 90,241 | - | - | 397,423 |
| Retakaful certificate assets | - | 47,992 | - | - | 47,992 | - | 78,156 | - | - | 78,156 |
| Other receivables | - | - | - | 169,283 | 169,283 | - | - | - | 163,322 | 163,322 |
| **Total credit risk exposure** | 1,106,499 | 935,727 | - | 1,908,113 | 3,950,339 | 1,320,623 | 1,010,067 | - | 1,244,705 | 3,575,395 |
| **Company** | | | | | | | | | | |
| Cash and cash equivalents | 359,379 | 2,562 | - | - | 361,941 | 378,642 | 13,456 | - | - | 392,098 |
| Investments: | | | | | | | | | | |
| Debt instruments at FVTPL | | | | | | | | | | |
| Malaysian government investment issue | - | - | - | 865,825 | 865,825 | - | - | - | 524,657 | 524,657 |
| Islamic debts securities | 605,025 | 885,610 | - | 738,083 | 2,228,718 | 706,453 | 836,364 | - | 616,129 | 2,158,946 |
| Deposits with financial institutions | 562,147 | - | - | 203,110 | 765,257 | 452,432 | 240,241 | - | - | 692,673 |
| Retakaful certificate assets | - | 47,097 | - | - | 47,097 | - | 77,321 | - | - | 77,321 |
| Other receivables | - | - | - | 191,123 | 191,123 | - | - | - | 166,313 | 166,313 |
| **Total credit risk exposure** | 1,526,551 | 935,269 | - | 1,998,141 | 4,459,961 | 1,537,527 | 1,167,382 | - | 1,307,099 | 4,012,008 |

***Impairment assessment***

See accounting policy Note 2(d)(iii) to the financial statements on impairment of financial assets.

## 29. Financial Instruments (continued)

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

***Credit exposure by credit rating (continued)***

The Company assesses the possible default events within 12 months for the calculation of the 12-month ECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

The Company's debt instruments are carried at FVTPL, hence, no ECL is required to be calculated.

***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 analysis for financial liabilities***

The maturity profile of the Company’s financial liabilities which include lease liabilities, takaful certificates liabilities and subordinated sukuk as at the end of the reporting period based on remaining undiscounted contractual obligations, including profit payable which are payable within a year. For takaful certificates liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised takaful liabilities.

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 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2025** | | | | | | | |
| Lease liabilities | 54,680 | 3.1% to 4.7% | 66,354 | 7,299 | 7,877 | 23,156 | 28,022 |
| **2024** | | | | | | | |
| Lease liabilities | 56,249 | 3.1% to 4.7% | 69,999 | 6,612 | 6,901 | 22,059 | 34,427 |

## 29. Financial Instruments (continued)

***Maturity analysis (continued)***

***Maturity analysis for financial liabilities***

The following table summarises the maturity profile for financial liabilities, including subordinated sukuk and of groups of takaful/retakaful certificates issued and groups of retakaful certificates held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented:

| | Up to 1 year RM'000 | 1-2 years RM'000 | 2-3 years RM'000 | 3-4 years RM'000 | 4-5 years RM'000 | >5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2025** | | | | | | | |
| Takaful certificate liabilities | 1,740,557 | (228,136) | (228,346) | (179,010) | (205,271) | 4,291,424 | 5,191,218 |
| Retakaful certificate liabilities held | (353) | 2,080 | 2,013 | 1,933 | 1,852 | 18,299 | 25,824 |
| Subordinated sukuk | 9,970 | 9,970 | 9,970 | 7,270 | 7,270 | 184,510 | 228,960 |
| **TOTAL** | 1,750,174 | (216,086) | (216,363) | (169,807) | (196,149) | 4,494,233 | 5,446,002 |
| **2024** | | | | | | | |
| Takaful certificate liabilities | 1,631,340 | (350,135) | (359,622) | (209,135) | (54,467) | 4,096,552 | 4,754,533 |
| Retakaful certificate liabilities held | (157) | 2,378 | 2,259 | 2,124 | 1,945 | 17,276 | 25,825 |
| Subordinated sukuk | 7,270 | 7,270 | 7,270 | 7,270 | 7,270 | 191,780 | 228,130 |
| **TOTAL** | 1,638,453 | (340,487) | (350,093) | (199,741) | (45,252) | 4,305,608 | 5,008,488 |

***Maturity analysis for financial assets (contractual undiscounted cash flow basis)***

The following table summarises the maturity profile of financial assets of the Company based on remaining undiscounted contractual cash flows, including interest receivable.

| | Up to 1 year RM'000 | 1-2 years RM'000 | 2-3 years RM'000 | 3-4 years RM'000 | 4-5 years RM'000 | >5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2025** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 361,941 | - | - | - | - | - | 361,941 |
| Deposits with financial institutions | 765,257 | - | - | - | - | - | 765,257 |
| Equity and debt instruments at FVTPL | 4,620,175 | 200,760 | 309,200 | 209,979 | 254,300 | 2,027,765 | 7,622,179 |
| **TOTAL** | 5,747,373 | 200,760 | 309,200 | 209,979 | 254,300 | 2,027,765 | 8,749,377 |

**29. Financial Instruments (continued)**

**(b) *Maturity analysis (continued)***

***Maturity analysis for financial assets (contractual undiscounted cash flow basis) (continued)***

| | Up to 1 year RM'000 | 1-2 years RM'000 | 2-3 years RM'000 | 3-4 years RM'000 | 4-5 years RM'000 | >5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Company (continued)** | | | | | | | |
| **2024** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 392,098 | - | - | - | - | - | 392,098 |
| Deposits with financial institutions | 692,673 | - | - | - | - | - | 692,673 |
| Equity and debt instruments at FVTPL | 4,207,278 | 121,459 | 251,336 | 304,998 | 198,149 | 1,790,079 | 6,873,299 |
| **TOTAL** | 8,246,203 | 121,459 | 251,336 | 304,998 | 198,149 | 1,790,079 | 7,958,070 |

***Maturity analysis on expected maturity bases***

The table below summarises the expected utilisation or settlement of assets and liabilities.

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | No more than 12 months | More than 12 months | Total | No more than 12 months | More than 12 months | Total |
| **Company** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 361,941 | - | 361,941 | 392,098 | - | 392,098 |
| Deposits with financial institutions | 765,257 | - | 765,257 | 692,673 | - | 692,673 |
| Equity and debt instruments at FVTPL | 4,620,175 | 3,002,004 | 7,622,179 | 4,207,278 | 2,666,021 | 6,873,299 |
| | 5,747,373 | 3,002,004 | 8,749,377 | 5,292,049 | 2,666,021 | 7,958,070 |
| **Financial liabilities** | | | | | | |
| Takaful certificate liabilities | 1,740,557 | 3,450,661 | 5,191,218 | 1,631,340 | 3,123,193 | 4,754,533 |
| Retakaful certificate liabilities held | (353) | 26,177 | 25,824 | (157) | 25,982 | 25,825 |
| Subordinated sukuk | 9,970 | 218,990 | 228,960 | 7,270 | 220,860 | 228,130 |
| | 1,750,174 | 3,695,828 | 5,446,002 | 1,638,453 | 3,370,035 | 5,008,488 |

***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.

**29. 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. An upward movement in the profit rate will 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:

| | | Impact on profit or loss / surplus | |
|---|---|---|---|
| | Change in variables % | Family Takaful Fund RM'000 | Company RM'000 |
| | | (Decrease)/Increase | |
| **2025** | | | |
| Rate of return | +1 | (168,568) | (171,548) |
| Rate of return | -1 | 168,568 | 171,548 |
| **2024** | | | |
| Rate of return | +1 | (150,734) | (153,937) |
| Rate of return | -1 | 150,734 | 153,937 |

***(b) Equity risk***

Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate caused by the 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.

**29. 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 2025 RM'000 | 2024 RM'000 |
|---|---|---|---|
| | | Increase/ (Decrease) | |
| FBMSHA | +10 | 343,866 | 357,808 |
| FBMSHA | -10 | (343,866) | (357,808) |
| DJIMGC | +10 | 56,527 | 42,681 |
| DJIMGC | -10 | (56,527) | (42,681) |

**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 | | | | | |
|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Total fair value RM'000 | Carrying amount RM'000 |
| **Company** | | | | | | |
| **2025** | | | | | | |
| Malaysian government investment issue | - | 865,825 | - | 865,825 | 865,825 | 865,825 |
| Islamic debt securities | - | 2,228,718 | - | 2,228,718 | 2,228,718 | 2,228,718 |
| Equity securities | 2,812,516 | - | - | 2,812,516 | 2,812,516 | 2,812,516 |
| Collective investment schemes | 1,715,120 | - | - | 1,715,120 | 1,715,120 | 1,715,120 |
| | 4,527,636 | 3,094,543 | - | 7,622,179 | 7,622,179 | 7,622,179 |
| **2024** | | | | | | |
| Malaysian government investment issue | - | 524,657 | - | 524,657 | 524,657 | 524,657 |
| Islamic debt securities | - | 2,158,946 | - | 2,158,946 | 2,158,946 | 2,158,946 |
| Equity securities | 2,889,538 | - | - | 2,889,538 | 2,889,538 | 2,889,538 |
| Collective investment schemes | 1,300,158 | - | - | 1,300,158 | 1,300,158 | 1,300,158 |
| | 4,189,696 | 2,683,603 | - | 6,873,299 | 6,873,299 | 6,873,299 |

**29. 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 (2024: no transfer in either directions).

**Level 3 fair value**

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

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 | 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. | The estimated fair value would increase/decrease if the estimated recovery rate were higher/lower. |

**30. Capital commitments**

| | 2025<br>RM'000 | 2024<br>RM'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| **Intangible assets** | | |
| Authorised but not contracted for | 15 | 4,247 |
| Contracted but not provided for | - | 14 |
| | 15 | 4,261 |

## 31. Regulatory capital requirements

The capital structure of the Company as at 31 December 2025, as prescribed under the Risk Based Capital Framework for takaful operators ("RBCT") is provided below:

| | 2025 RM'000 | 2024 RM'000 |
|---|---|---|
| **Eligible Tier 1 Capital** | | |
| Ordinary share | 100,000 | 100,000 |
| Reserves, including retained earnings | 502,560 | 525,477 |
| | 602,560 | 625,477 |
| **Tier 2 Capital** | | |
| Revaluation Reserve | 1,925 | 1,925 |
| Subordinated sukuk | 160,000 | 160,000 |
| Amounts deducted from capital | (267,120) | (287,104) |
| **Total capital available** | 497,365 | 500,298 |

## 32. Dilution of interest and loss of control in structured entity

During the financial year ended 31 December 2024, the Company's investment in Principal Islamic Malaysia Government Sukuk Fund was diluted to 73.9% of the total units in issue. This was below the 75% threshold required under the Fund Information Memorandum to effect relevant resolutions or remove the Fund Manager. Consequently, the Company was no longer able to assert control of the Fund.

Accordingly, the assets, liabilities and other components of equity of the investee were deconsolidated with effect from 1 July 2024. The financial impacts arising from the deconsolidation were fully recognised and presented in the Group’s statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 31 December 2024.

As at 31 December 2025, the Company’s investment in the Principal Islamic Malaysia Government Sukuk Fund is classified as a financial asset at fair value through profit or loss (FVTPL).

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

## 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 140 are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting 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 2025 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

..............................................................................

**Ezamshah bin Ismail**
Director

Date: 5 March 2026

**Prudential BSN Takaful Berhad**
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

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

I, Wong Wei Win, 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 140 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, Wong Wei Win, NRIC: 821029-71-5009 at Kuala Lumpur in the Federal Territory on 5 March 2026.

.........................................................
**Wong Wei Win**

Before me,

PESURUHJAYA SUMPAH
W1015
SHAHRIZAL BIN NASRUL
01.01.2026 - 31.12.2028
MALAYSIA

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Building a better working world

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200601020898 (740651-H)

**Independent auditors' report to the members of**
**Prudential BSN Takaful Berhad**
**(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 2025 of the Company, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 42 to 140.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of their financial performance and their cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for opinion*

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

*Independence and other ethical responsibilities*

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

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, the Shariah Committee's Report and the Corporate Governance disclosures, but does not include the financial statements of the Company and our auditors' report thereon which we obtained prior to the date of this auditors' report, and the Sustainability Statement, which is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated. As at the date of this report, we have not yet read the Sustainability Statement.

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

*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 MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

**Independent auditors' report to the members of**
**Prudential BSN Takaful Berhad (cont'd.)**
**(Incorporated in Malaysia)**

*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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Shape the future
with confidence

200601020898 (740651-H)

**Independent auditors' report to the members of**
**Prudential BSN Takaful Berhad (cont'd.)**
**(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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

- 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 achieves fair presentation.

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

**Other matters**

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

Ernst + Young PLT

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

Brandon Bruce Sta Maria
02937/09/2027 J
Chartered Accountant

Kuala Lumpur, Malaysia
5 March 2026