

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

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REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

CONTENTS	PAGE (S)
DIRECTORS' REPORT	1 - 24
STATEMENT BY THE DIRECTORS	25
STATUTORY DECLARATION	26
SHARIAH COMMITTEE'S REPORT	27 - 28
INDEPENDENT AUDITOR'S REPORT	29 - 32
INCOME STATEMENT	33 - 34
STATEMENT OF COMPREHENSIVE INCOME	35
STATEMENT OF FINANCIAL POSITION	36 - 37
STATEMENT OF CHANGES IN EQUITY	38
STATEMENT OF CASH FLOWS	39 - 40
NOTES TO THE FINANCIAL STATEMENTS	41 – 149

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the annual audited financial statements of the Company for the financial year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company is engaged principally in managing Family Takaful business including investment-linked Takaful business.

There has been no significant change in the principal activity during the financial year.

RESULTS

	RM'000
Net profit for the financial year	<u>189,234</u>

DIVIDEND

No dividend was paid or declared by the Company since the date of incorporation and the Directors do not recommend any dividend for the current financial year.

RESERVE AND PROVISIONS

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

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Mahani binti Amat (Chairperson)
Dato' Chang Kat Kiam
Dato' Seri Mohamed Hassan Bin Md Kamil
Datuk Husni Zai bin Yaacob
Datin Dr. Rusnah binti Muhamad
Chong Kin Leong
Ng Kee Heng

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangement whose object was to enable the Directors to acquire benefits by mean of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares in or debentures of the Company or its holding company or subsidiaries of the holding company during the financial year except as follows:

	<u>Number of ordinary shares</u>			
	<u>As at</u> <u>1.1.2024</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at</u> <u>31.12.2024</u>
<u>AIA Group Limited</u>				
Ng Kee Heng				
- Direct Interest	41,128	22,480	(38,035)	25,573
- Deemed Interest	190,420	-	-	190,420
	<u>Number of matching restricted stock purchase units over</u> <u>ordinary shares under Employee Share Purchase Plan</u>			
	<u>As at</u> <u>1.1.2024</u>	<u>Granted</u>	<u>Vested</u>	<u>As at</u> <u>31.12.2024</u>
<u>AIA Group Limited</u>				
Ng Kee Heng	2,094	1,300	(960)	2,434
	<u>Number of restricted share units</u> <u>over ordinary shares</u>			
	<u>As at</u> <u>1.1.2024</u>	<u>Granted</u>	<u>Vested</u>	<u>As at</u> <u>31.12.2024</u>
<u>AIA Group Limited</u>				
Ng Kee Heng	147,966	46,444	(21,242)	173,168
	<u>Number of share options</u> <u>over ordinary shares</u>			
	<u>As at</u> <u>1.1.2024</u>	<u>Granted</u>	<u>Vested</u>	<u>As at</u> <u>31.12.2024</u>
<u>AIA Group Limited</u>				
Ng Kee Heng	335,266	28,890	(54,285)	309,871

Matching restricted stock purchase units and restricted share units and share options are granted to certain employees, directors and officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited respectively.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard AIA Bhd., a company incorporated in Malaysia and AIA Group Limited ("AIA GL"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited, as its immediate holding company and ultimate holding company respectively.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") is satisfied that the Company has complied with all the prescriptive requirements of, and adopts the Corporate Governance Policy Document, issued by Bank Negara Malaysia ("BNM").

(A) Board Of Directors

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are, as follows:

1. Mahani binti Amat (Chairperson)
Independent Non-Executive Director

Puan Mahani holds a Bachelor of Economics (majoring in Business Administration) from University of Malaya. She has over 27 years of working experience in the banking industry. She began her career with Bank Negara Malaysia in 1977 where she spent 7 years in Reserves Management. In 1984, she moved on to RHB Bank in Singapore and held various positions in the Treasury and Offshore Banking, and Consumer Banking. She returned to RHB Bank Kuala Lumpur in 2001, where she held senior management positions in premium banking and international division, up to her last designation in 2004 as Executive Vice President of operations and services.

2. Dato' Chang Kat Kiam
Non-Independent Non-Executive Director

Dato' Chang was appointed to the Board of AIA PUBLIC Takaful Bhd. since the Company's inception on 11 March 2011. Dato' Chang holds a Master's degree in Business Administration from the University of Hull, United Kingdom. He is also a Chartered Banker of the Chartered Banker Institute (CBI), United Kingdom. Dato' Chang has over 45 years of experience in the banking and finance industry. Dato' Chang is currently the Deputy Chief Executive Officer of Public Bank Berhad.

3. Dato' Seri Mohamed Hassan Bin Md Kamil
Independent Non-Executive Director

Dato' Seri Mohamed Hassan Bin Md Kamil was the Group CEO of Syarikat Takaful Malaysia Keluarga Bhd and had retired from the Group on 31 December 2021. At the helm of Takaful Malaysia since 2007, Dato' Seri Mohamed Hassan Bin Md Kamil has propelled the company to become one of the top Takaful operators in Malaysia and had steered the Group to a higher level with proven and sustainable financial performance. He graduated with a Bachelor of Science degree in Actuarial Science and Master in Business Administration from the University of Iowa, USA. He is a Fellow of the Society of Actuaries, USA and a Chartered Life Underwriter.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

4. Datuk Husni Zai bin Yaacob
Independent Non-Executive Director

Datuk Husni holds a Bachelor of Science (Hons.) Resource Economics from University Putra Malaysia. Datuk Husni had served at Malaysian missions in the Philippines, Pakistan and United Kingdom and was an Ambassador of Malaysia to Kuwait and Ambassador of Malaysia to Thailand. Datuk Husni was appointed as the High Commissioner of Malaysia to Singapore on 23 August 2013 before his retirement from government service in 2016. Datuk Husni has over 34 years of experience and expertise in managing international relations as a diplomat and Senior Management team of the Malaysian Ministry of Foreign Affairs.

5. Datin Dr. Rusnah binti Muhamad
Independent Non-Executive Director

Datin Dr. Rusnah holds a Ph.D in Accounting from University of Malaya. She obtained her first degree in Accounting from the same university and obtained her Master of Science in Accounting and Finance from University of Stirling, Scotland. She also holds an Executive Diploma in Syariah from University Malaya Centre of Continuing Education and was accorded the Best Student Award. She was until October 2022 an Associate Professor of the Faculty of Business and Accountancy at University of Malaya.

6. Chong Kin Leong
Independent Non-Executive Director

Mr Chong graduated in Accounting from the University of Malaya in 1981 and is a Member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. Mr Chong has more than 40 years of experience in all aspects of financial and business management in the corporate sector, financial institutions and auditing. His last executive position prior to retirement was Chief Financial Officer of Genting Berhad, where he worked for 16 years.

7. Ng Kee Heng
Executive Director

Mr. Ng is a Fellow of the Society of Actuaries and Fellow of the Casualty Actuarial Society in the United States. He holds a Bachelor's degree in Business Administration with highest distinctions from the University of Nebraska-Lincoln, United States. Mr. Ng has more than 26 years of experience in the insurance industry. He joined AIA in 2011 and was appointed as CEO of AIA Bhd. on 15 August 2019. Prior to his current appointment, he was the President Director and CEO of AIA Indonesia since June 2014. Mr. Ng also served as CEO of AIA Group's Corporate Solutions business and Regional Business Development Director and Interim CEO for AIA Taiwan. Mr. Ng has held an extensive range of leadership roles across both business and finance functions including Chief Financial Officer, Chief Operating Officer and Chief Marketing Officer.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

In promoting independent oversight by the Board, the tenure limit for Independent Directors is nine (9) years from the date of the Director's initial appointment. The Board is also discouraged from having more than seven (7) Directors. However, a maximum of ten (10) Directors may be allowed provided the additional Directors are Independent Directors.

During the financial year, a total number of twenty seven (27) Board and Board Committee Meetings were held, as follows:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	5	4	6	3	9

The Directors' attendance to the Board and Board Committee Meetings during the financial year was as follows:

	Audit Committee Member	Risk Management Committee Member	Nominating Committee Member	Remuneration Committee Member	Board Member
Mahani binti Amat	5/5	4/4	6/6	3/3	9/9
Dato' Chang Kat Kiam	5/5	4/4	6/6	3/3	9/9
Dato' Seri Mohamed Hassan bin Md Kamil	5/5	4/4	6/6	3/3	8/9
Datuk Husni Zai bin Yaacob	5/5	4/4	6/6	3/3	9/9
Datin Dr Rusnah binti Muhamad	5/5	4/4	6/6	3/3	9/9
Chong Kin Leong	5/5	4/4	6/6	3/3	9/9
Ng Kee Heng	N/A	N/A	6/6	N/A	9/9

* N/A – Not Applicable (Not a Member)

The Directors had attended briefings, conferences, seminars and trainings during the financial year, which included the following:

No.	Description
1.	Navigating the Macroeconomic Terrain in 2024.
2.	BNM – FIDE FORUM Engagement Session with Board of Directors of Islamic Financial Institutions: Hajah and Darurah Policy Document.
3.	BNM – FIDE FORUM AIA Cloud Risk Master Class.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

The Directors had attended briefings, conferences, seminars and trainings during the financial year, which included the following (continued):

No.	Description
4.	BNM – FIDE FORUM -Engagement: Responsibility Mapping with Directors of Financial Institutions.
5.	Asia School of Business-What Amount to a Conflict of Interest by Directors?
6.	BNM-Global Forum on Islamic Economics and Finance (GFIEF) 2024
7.	AIA In-house Cyberdrill
8.	AIA Climate Risk Training: Climate Risk Stress Test
9.	BNM- Bank Negara Malaysia Sasana Symposium 2024
10.	Society of Actuaries -2024 Society of Actuaries Asia-Pacific Annual Symposium
11.	FIDE-Breakfast Talk: Leveraging AI in the Fight Against Financial Crime
12.	KPMG- ESG & Internal Audit - Strengthening the Third Line of Defence
13.	FIDE-Director's Liabilities within Their Respective Institution's AML Frameworks
14.	ICDM-Navigating Directorship: Legal Consequences, Responsibilities and Risks in Office
15.	University of Cambridge -Asian Banking School Summer School Programme
16.	FIDE -Preventing Fraud: The Board's Roles and Responsibilities.
17.	AIA E-invoicing briefing
18.	Asian Institute of Chartered Bankers -14th International Conference on Financial Crime and Terrorism Financing (IFCTF) Masterclass 2024
19.	FIDE -Distinguished Board Leadership Series 2024: Digital Transformation in the World's Best Bank
20.	AML/CFT & TFS: Evolving Challenges & Expectation In Regulatory Compliance by Vision Business Solutions
21.	Asia School of Business & LIAM -Climate Risk Management and Scenario Analysis (CRMSA), Climate Change and Principle- based Taxonomy (CCPT) and Climate Risk Stress Testing (CRST) - regulatory responsibility on climate risks
22.	AIA Shariah related Session and Session on Hajah and Darurah
23.	AIA Anti-Money Laundering (AML), Financial Action Task Force (FATF) and the Emerging Risk Landscape
24.	AIA IT Security / Unveiling AIA's Automation and Digital Transformation Journey
25.	AIA Future of Audit (AI)
26.	FIDE Economic Outlook & Post-Budget 2025 Forum
27.	Climate Risk Training: Transition Climate Risk
28.	Cyber Attack Trends and What Can You Do About It? by Firmus

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

The Directors were also regularly updated on the issuance of new related Acts and regulations as well as the requirements to be observed both by the Company and Directors.

The Company provides an in-house orientation to newly appointed Directors and the Directors may request trainings on specific subjects in facilitating the Directors to discharge their duties effectively. On an annual basis, the Nominating Committee ("NC") will conduct annual review of trainings attended by the Directors during each financial year.

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Islamic Financial Services Act, 2013 ("the Act") and Corporate Governance Policy Document issued by BNM and other directives, in addition to adopting other best practices on corporate governance.

The Board has an overall responsibility to lead the Company, including setting the strategic future direction, review viability of the corporate objective and overseeing the conduct and performance of business.

As an Islamic financial institution, the Board also has an oversight accountability for Shariah governance implementation and the Company's overall compliance with Shariah. This responsibility is discharged through compliance with the Act, Shariah Governance Policy Document and other related regulations and directives issued by BNM, as well as the Company's internal policies and procedures. In discharging this responsibility, the Board must have due regard to any decisions or advice of the Shariah Committee.

As at the date of the report, the Board comprises five (5) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met nine (9) times during the financial year, eight (8) of which were scheduled and one (1) Special Board Meeting. All Directors in office at the end of the financial year complied with the 75% minimum attendance requirement at such meeting.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

To support sound corporate governance and processes, the Board formed various Board Committees namely the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Audit Committee ("the Committees") in accordance with the requirements of BNM's Corporate Governance Policy Document.

The roles and members of the Committees are as provided below.

Nominating Committee

As at the date of this report, the Nominating Committee ("NC") comprises seven (7) members, as follows:

Datuk Husni Zai bin Yaacob	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Ng Kee Heng	Member (Executive Director)
Chong Kin Leong	Member (Independent Non-Executive)
Datin Dr Rusnah binti Muhamad	Member (Independent Non-Executive)
Dato' Seri Mohamed Hassan Bin Md Kamil	Member (Independent Non-Executive)
Mahani Binti Amat	Member (Independent Non-Executive)

The objective of the NC is to establish a documented, formal and transparent procedure for the appointment of Directors, Chief Executive Officer ("CEO"), senior management and Shariah Committee members and to assess the effectiveness of individual Directors, the Board as a whole (including various committees of the Board), CEO, senior management and Shariah Committee members on an on-going basis.

The principal duties and responsibilities of NC are:

- (a) establishing the minimum requirements of the Directors, Shariah Committee, senior management and company secretary at the time of his/her appointment and on a continuing basis;
- (b) ensuring that each Board Committee comprises Directors who have the necessary skill, knowledge and experience relevant to the responsibilities of the Board Committee;
- (c) establishing and regularly reviewing succession plans for Directors, Shariah Committee, senior management and company secretary to promote Board renewal and address any vacancies;
- (d) establishing a rigorous process for the appointment and removal of Directors, Shariah Committee, senior management and company secretary. The process must involve the assessment of candidates against the minimum requirement as set out in the Corporate Governance Policy Documents. To maintain the engagement between a candidate and the NC to ascertain the suitability of each candidate for the Board;

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

Nominating Committee (continued)

The principal duties and responsibilities of NC are (continued):

- (e) assessing against the minimum requirements for each Director, Shariah Committee member and senior management on an annual basis, and as and when the Board becomes aware of information that may materially compromise the individual/ Director's fitness and propriety, or any circumstance that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his/her responsibilities;
- (f) recommending and assessing the appointment and reappointment of Directors, Shariah Committee and senior management as per the minimum requirement as set out in the Corporate Governance Policy Documents before an application for approval is submitted to BNM;
- (g) assessing the Board and the Board Committees in terms of the appropriate size that promotes effective deliberation and encourages the active participation of all Directors and allows the work of the various Board Committees to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board Committees;
- (h) assessing the performance and effectiveness of the Board, Board Committees, individual Directors and Shariah Committee. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Company;
- (i) ensuring effective communication in addressing any queries made by BNM for the application process of appointment and reappointment of Directors and CEO of the Company; and
- (j) overseeing the effective implementation of the transfer of knowledge of expatriates to local employees.

Remuneration Committee

As at the date of this report, the Remuneration Committee ("RC") comprises six (6) members as follows:

Datuk Husni Zai bin Yaacob	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Chong Kin Leong	Member (Independent Non-Executive)
Dato' Seri Mohamed Hassan Bin Md Kamil	Member (Independent Non-Executive)
Datuk Husni Zai bin Yaacob	Member (Independent Non-Executive)
Mahani binti Amat	Member (Independent Non-Executive)

The objective of the RC is to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO, senior management and Shariah Committee members and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

Remuneration Committee (continued)

The principal duties and responsibilities of RC are:

- (a) recommending a framework for the remuneration of Directors, the CEO, senior management and Shariah Committee members. The remuneration policy should:
- be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - reflect the experience and level of responsibility borne by individual Directors, the CEO, senior management and Shariah Committee members;
 - be sufficient to attract and retain Directors, CEO, senior management and Shariah Committee members of calibre needed to manage the Company successfully; and
 - be balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.
- (b) recommending specific remuneration packages for each Director, member of Shariah Committee, senior management and other material risk takers. The remuneration packages should:
- be based on objective considerations and approved by the full Board;
 - take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, CEO, senior management or Shariah Committee members concerned including relating to compliance with Shariah as per the applicable regulatory requirements;
 - not be decided by the exercise of sole discretion by any one individual or restricted group of individuals; and
 - be competitive and consistent with the Company's culture, objectives and strategy.

Risk Management Committee

As at the date of this report, the Risk Management Committee ("RMC") comprises six (6) members as follows:

Dato' Seri Mohamed Hassan Bin Md Kamil	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Chong Kin Leong	Member (Independent Non-Executive)
Mahani binti Amat	Member (Independent Non-Executive)
Datuk Husni Zai bin Yaacob	Member (Independent Non-Executive)
Datin Dr. Rusnah binti Muhamad	Member (Independent Non-Executive)

The objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

Risk Management Committee (continued)

The principal duties and responsibilities of RMC are:

- (a) reviewing and recommending risk management strategies, policies and risk tolerance levels for the Board's approval;
- (b) reviewing and assessing the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (c) ensuring that adequate infrastructure, resources and systems are in place for effective risk management; e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;
- (d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and
- (e) establishing and approving the technology risk appetite and risk tolerance, overseeing the adequacy of the Company's IT and cybersecurity strategic plans covering a period of no less than three (3) years, overseeing the effective implementation of a sound and robust technology risk management framework and cyber resilience framework and discussing cyber risks and related issues, including the strategic and reputational risks associated with a cyber-incident.

Audit Committee

As at the date of this report, the Audit Committee ("AC") comprises six (6) members as follows:

Chong Kin Leong	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Mahani binti Amat	Member (Independent Non-Executive)
Datin Dr. Rusnah binti Muhamad	Member (Independent Non-Executive)
Dato' Seri Mohamed Hassan Bin Md Kamil	Member (Independent Non-Executive)
Datuk Husni Zai bin Yaacob	Member (Independent Non-Executive)

The primary objective of the AC is to ensure the integrity and transparency of the financial reporting process.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) Board Of Directors (Continued)

Audit Committee (continued)

The principal duties and responsibilities of the AC are:

- (a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
- (b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;
- (c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;
- (d) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgment or independence in respect of the Company;
- (e) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter for the audits;
- (f) reviewing with the external auditors the financial statements, audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;
- (g) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;
- (h) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;
- (i) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report;
- (j) reviewing any related party transactions and conflicts of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity; and
- (k) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes.

The AC has the authority to investigate any matter within its terms of reference and has unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.

During the financial year, the AC members have met twice with the external auditors without the presence of the management.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(B) Shariah Committee

The Company is advised by a Shariah Committee as required under the Act and Shariah Governance Policy Document.

Functionally, the Shariah Committee reports to the Board. The principal responsibility of the Shariah Committee is to provide objective and sound advice to the Company to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah principles at all times.

The Shariah Committee comprises Shariah scholars and experts in Islamic finance. The Shariah scholars have the relevant qualification, expertise and experience in Islamic jurisprudence (usul al-fiqh) and Islamic commercial laws (fiqh al-mu'amalat) who form the majority of the Shariah Committee. The other members of the Shariah Committee are the Islamic finance experts with accounting / finance as well as business administration background.

The Shariah Committee members in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ir. Dr. Muhamad Fuad bin Abdullah (Chairman)
YM Engku Ahmad Fadzil bin Engku Ali (resigned on 4 December 2024)
Khairil Anuar bin Mohd Noor
Shabnam binti Mohamad Mokhtar
Professor Dr. Muhamad Rahimi Osman
Professor Dato' Dr. Aznan Hasan (appointed on 5 February 2025)

During the financial year, a total number of seven (7) Shariah Committee Meetings were held. The Shariah Committee members' attendance to the Shariah Committee Meetings during the financial year was as follows:

<u>Name of Shariah Committee Members</u>	<u>No. of attendance</u>
Ir. Dr. Muhamad Fuad bin Abdullah	7/7
YM Engku Ahmad Fadzil bin Engku Ali	7/7
Khairil Anuar bin Mohd Noor	7/7
Shabnam binti Mohamad Mokhtar	7/7
Professor Dr. Muhamad Rahimi Osman	7/7

(C) Management Accountability

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing the policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Section 67 of the Act.

The Management meets all prescriptive requirements under this section and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the area of communication.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) Corporate Independence

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions for Takaful Operators. Related parties' transactions and balances have been disclosed in the financial statements in compliance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

(E) Internal Control Framework

The Board is responsible for the overall direction and management of the Company and the formulation of the policies to be applied to the Company and the business. Enterprise Risk Management, Compliance and Internal Audit functions, among others, provide assessment, reporting and assurance on the effectiveness of the Company's policies and operations as well as its compliance with legal and regulatory obligations.

Such processes are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The criteria applied by the Directors in judging the effectiveness of these controls are that they allow the maximisation of shareholder value by exploiting business opportunities whilst ensuring that risks are properly identified and managed. The controls are regularly reviewed to ensure that they enable the proper management of business risks without so restricting efficiency and entrepreneurial nature that they inhibit proper running of the business.

The Company has a management structure with clear lines of responsibility and accountability, staffed by appropriate personnel. The Board is responsible for setting the overall strategy.

The day to day running of Company's operations is managed by the senior management, chaired by the CEO. This team is also responsible for the recommendation to the Board of the Company's strategy and its subsequent implementation, for ensuring that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.

The fundamental elements of the Company's internal control and risk management framework are described below:

1. Structure and reporting

A clear organisational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Action plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Company can meet its future management requirements.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) Internal Control Framework (Continued)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

2. Approval procedures

The Company has delegated authority structures that ensure that decisions are taken at an appropriate level, with an appropriate level of input by internal and external expert advisers. The delegated authority structure prescribes financial limits of approval at each level and requires decisions with significant financial, legal or reputational impact for the Company to be approved by the Board.

3. Operating Philosophy

The Company has identified and adopted the following Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People...the Results will come.". Underlying this Operating Philosophy are 12 Operating Principles that help guide and shape our employees' actions and behaviours, informing how we interact with one another and how we behave externally with our customers, shareholders and other stakeholders, including the community at large.

4. Corporate policies, values and compliance

There are various policies and procedures in place as internal control to govern the operations of the Company. The following AIA Group policies have been adopted by the Company:

- (a) **AIA Code of Conduct:** This policy lays the foundation for good business decisions and guides staff and agents in conducting business honourably, ethically and with utmost professionalism. AIA Code of Conduct specifies the standards of behaviour to which every AIA employee and stakeholder is expected to adhere. AIA Code of Conduct guides us on compliance, ethics and risk issues and allows us to contribute positively to the societies where we operate.
- (b) **Whistleblower Protection Policy:** This policy aims to establish corporate values and culture that support ethical behaviour and to assure confidentiality and non-retaliation to whistleblowers. Every employee has the obligation to report unethical behaviour or suspected violations of law or company policy connected with AIA Group business activities.
- (c) **Anti-Fraud Policy:** The Company is committed to conducting all of its business with the highest level of ethics and integrity. To uphold this commitment and in particular, a zero-tolerance approach to fraud, the Company requires adherence to this Anti-Fraud Policy. The Anti-Fraud Policy is intended to reinforce management procedures designed to aid in the prevention, detection and investigation of fraud, thereby safeguarding the Company's assets and providing protection from the legal and reputational consequences of fraudulent activities.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) Internal Control Framework (Continued)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

- (d) **Anti-Corruption Policy:** The Company is committed to conducting all of its business in an honest and ethical manner. Bribery or any improper payment to gain an advantage in any situation is never acceptable and may have serious legal, reputation and regulatory implications for the Company. The policy also makes good business sense. These controls that are embedded in the Company as a result of the adoption of the policies are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. For our certificate holders, it provides the security of knowing that we will always be there for them; for our investors, it is key to protecting and enhancing the long-term value of their investment. Also for our regulators, it is supportive of industry growth and the public's trust in the industry.

While effective risk management is vital to any organization, it goes to the core of a Family Takaful business where it is a main driver of value. The Company's Risk Management Policy ("RMP") formalises the approach to Risk Management which is implemented through its Risk Management Framework ("RMF"). The RMF allows management to understand the Risk Profile, maintain adequate Risk Controls and ensure that appropriate actions are taken to support the Company's Strategy and Business Objectives.

The RMP provides guidance and sets principles in relation to the:

- Design of the RMF: overview and expectations with regards to each underlying component of the RMF; and
- Execution of the RMF: enablement of the Risk & Compliance function's governing principle to build a sustainable competitive advantage for the Company by fully integrating Risk Management into the Company's Strategy, Business Objectives and daily business activities.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) Internal Control Framework (Continued)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components:

(i) Risk Culture

The RMF recognises the importance of Risk Culture in the effective management of risks. Risk Culture defines the Company's attitude to risks and ensures its remuneration structure promotes the right behaviour. The Board and senior management are committed to fostering a corporate culture which promotes proactive risk management.

a. Accountability

A key component of the risk culture is accountability. The respective business functions in the Company are owners of all risks arising from within their areas and is responsible for managing risks. The Chief Risk Officer ("CRO") has overall accountability for the Enterprise Risk Management function, with primary reporting lines to the Board Risk Management Committee and to Group CRO. This structure ensures independence of the Enterprise Risk Management and Compliance functions and allows the CRO full access to business discussions so as to provide risk management perspectives and insights.

b. Remuneration

The Company's executive remuneration structure ensures appropriate consideration of the RMF within a strong performance-oriented culture. This is supported by a performance management system where all staff are measured on 'How' as well as 'What' they deliver. This structure places significant emphasis on conduct as well as achievement and is consistent with our fundamental Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People.... And the Results will come".

(ii) Risk Management Process

In order to encourage good management and to embed a culture of iterative process of continuous improvement, all business functions must incorporate the five (5) key risk management process in their activities to identify and assess, management and response, monitor, control and ensure compliance requirements, of the risk exposures. This ensures that risk reviews undertaken by the Company are appropriate and contributing to optimal business decisions.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) Internal Control Framework (Continued)

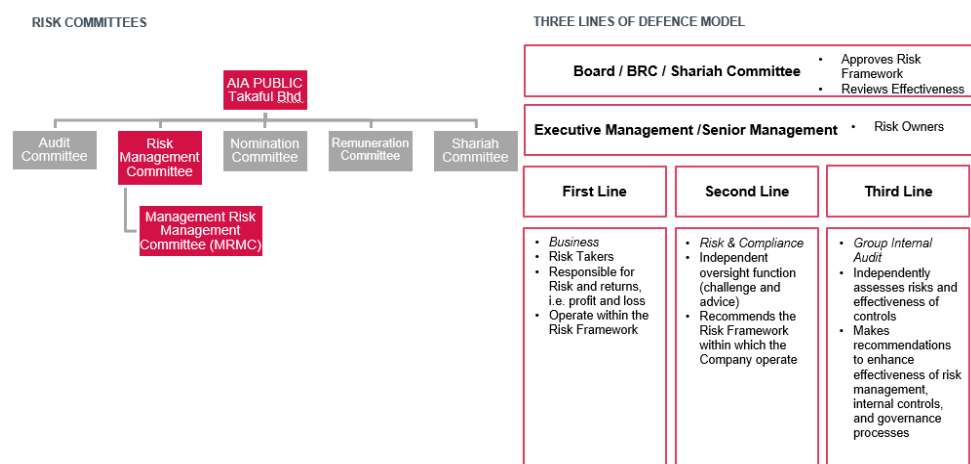
The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components: (continued)

(iii) Risk Governance

The Company's Risk Governance framework is built on the "Three Lines of Defence" model. With regard to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances, to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risk between the Executive Management ("First Line"), Enterprise Risk Management & Compliance ("Second Line") and Internal Audit ("Third Line") functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.



The First Line is made up of the business decision-takers who are responsible for ensuring that effective and appropriate processes, limits and controls are in place at all times to effectively identify, assess and manage risk in a manner consistent with the RMF. In particular, the amount of risk taken at each level of the organisation must be consistent with the Risk Appetite and in accordance with approved risk policies and procedures.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) Internal Control Framework (Continued)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components: (continued)

(iii) Risk Governance (continued)

The Second Line consists of the Enterprise Risk Management and Compliance functions. These functions are independent of the First Line and is responsible for overseeing First Line activities and ensuring that the Company adheres to its own high standards. The Second Line works consultatively with the First Line to support the business in achieving its objectives whilst operating within the risk appetite limits.

The Third Line is the Internal Audit ("IA"), which is independent of the Executive Management and reports to the Board Audit Committee and Shariah Committee. IA is responsible for providing independent assurance over the adherence of policies and processes and Shariah compliance requirements at all levels in both First and Second Line; and on the effectiveness of key internal controls and makes recommendations based on audit findings, including areas of potential improvement for further considerations.

The Three Lines of Defence converge at the Board, which retains overall responsibility for the Company's RMF.

(iv) Risk Strategy and Appetite

The Company's attitude towards Risks, its Risk Appetite, Risk Tolerances and Risk Limits are all components of the Risk Strategy. The Risk Strategy describes how, which types of risks, and to what extent risks are taken to pursue the Company's strategy and business objectives. Conversely, it also expresses those risks which are not desired and the extent to which they should be mitigated. The Company has a different approach to Risk Management depending on the risk type.

The Company's Risk Appetite Policy is the foundation of its risk management policy. It establishes the risk boundaries within which the business will operate and sets stakeholder expectations in regard to the risk being run in the Company. In other words, it articulates the quantum and nature of risk that the Company is willing to take to achieve its' strategic objectives and helps to set stakeholder expectations. It should be used to inform and drive decision making within the Company.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) Internal Control Framework (Continued)

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components: (continued)

(v) Risk Reporting, Systems and Tools

Risk reporting must cover all relevant material risks, be complete and accurate and provided on a timely basis to the Board, Risk Committee(s) and other relevant internal or external parties. This includes reports where required by local regulations, and other supervisory reports. Risk reporting practices must be reviewed periodically in terms of data integrity, extent and quality of information, and relevance to Risk decision-making.

(F) Remuneration

The AIA Group's Remuneration Guidelines, Philosophy and Standards applies to the Company and guide the design, operation and management of remuneration programmes. The elements of the remuneration policy applied are compensation (fixed and variable), benefits, performance and recognition.

There are Key Senior Officers (KSOs), Key Responsible Person (KRP) and Senior Management Team (SMT) which forms the Senior Management of the Company. The roles include:

- i. Chief Executive Officer;
- ii. Appointed Actuary, Takaful;
- iii. Director, Takaful Finance;
- iv. Associate Director, Compliance;
- v. Associate Director, Business Outsourcing Governance and Syariah;
- vi. Associate Director, Product Marketing & Customer Propositions;
- vii. Associate Director, Strategy & Distribution Management;
- viii. Associate Director, Enterprise Risk Management; and
- ix. Senior Manager, Product Pricing.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(F) Remuneration (Continued)

The Company conducts yearly Overall Salary Increment (SI), Overall Short-Term Incentive (STI) Payout, Long-Term Incentive (LTI) Cash Scheme Grant and Nominations and Total Compensation Review (TCR) for the Chief Executive Officer and senior management. The yearly exercise was recommended by the Chief Executive Officer (excluding that of the Chief Executive Officer) and reviewed and approved by the Chief Executive Officer of AIA Malaysia and the Regional Chief Executive of AIA. The proposal is then tabled to the Remuneration Committee and the Board for approval.

The remuneration programmes should be market competitive, transparent and within prudent risk limits to attract and retain best talents in financial services industry. The compensation comprises of fixed pay and variable pay. Variable pay refers to discretionary pay or pay-at-risk which is cash based and does not consist of shares or non-cash instrument. Market competitiveness ensures remuneration is aligned to the relevance of the market movement and the overall target market position of the Company will be at market median.

Remunerations are determined based on individual performance as well as the Company's performance. The Performance Development Dialogue platform used by the Company in assessing the employees' performance include both "What" and "How". "What" refers to results an employee achieved, aligned with strategic priorities which help achieve the Company's business goal. On the other hand, "How" refers to behaviours an employee demonstrated to achieve the results, guided by the AIA Operating Philosophy of "Doing the Right Thing, In the Right Way, With the Right People and the Results Will Come". Both "What" and "How" are equally important and taken into consideration in determining the employees' remuneration for the financial year.

The Directors' remuneration for the financial year is required to be tabled to the Remuneration Committee, Board and Members of the Company for approval. Set out below is the breakdown of the total amount of remuneration for all relevant Directors during the financial year:

Name of Director	Fixed Remuneration (RM'000)	Variable Remuneration (RM'000)	Total Remuneration (RM'000)
Datuk Husni Zai bin Yaacob	142	46	188
Datin Dr Rusnah binti Muhamad	130	58	188
Mahani binti Amat	160	46	206
Chong Kin Leong	142	46	188
Dato' Seri Mohamed Hassan Kamil	142	44	186
TOTAL	716	240	956

The Directors and Officers Liability coverage is taken and borne by AIA Bhd. covering all Directors and Officers of the Company and its related companies incorporated in Malaysia, collectively.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(F) Remuneration (Continued)

The senior management's remuneration for the financial year was tabled to the Remuneration Committee and the Board for approval. The breakdown of the total amount of remuneration for the senior management during the financial year are as follows:

Total value of remuneration awards for the financial year	Unrestricted (RM'000)	Deferred (RM'000)
Fixed remuneration		
• Cash-based	3,230	-
• Shares and share-linked instruments	-	-
• Other	-	-
Variable remuneration		
• Cash-based	1,549	847
• Shares and share-linked instruments	-	-
• Other	-	-

(G) Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company meets all prescriptive and best practice requirements under this section relating to unfair practices.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (c) At the date of this report:
- (i) there are no charges on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) there are no contingent liabilities in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.
- (g) Before the income statements and statements of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its takaful certificate liabilities in accordance with MFRS 17 Insurance Contracts.

DIRECTORS' REMUNERATION

	RM'000
Directors' fees	716
Directors' other emoluments	240
	<hr/>
	956
	<hr/> <hr/>

AUDITORS' REMUNERATION

Auditors' remuneration:	
- statutory audit current financial year	802
- audit related services	22
	<hr/>
	824
	<hr/> <hr/>

There was no indemnity given to, or insurance/takaful effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401 – LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 21 March 2025. Signed on behalf of the Board of Directors:

CHONG KIN LEONG
DIRECTOR

NG KEE HENG
DIRECTOR

Kuala Lumpur

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Chong Kin Leong and Ng Kee Heng, two of the Directors of AIA PUBLIC Takaful Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 33 to 149 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2024 and financial performance of the Company for the financial year ended 31 December 2024 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 March 2025.

CHONG KIN LEONG
DIRECTOR

NG KEE HENG
DIRECTOR

Kuala Lumpur

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

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

I, Sze Yuet Ping, the officer primarily responsible for the financial management of AIA PUBLIC Takaful Bhd., do solemnly and sincerely declare that, the financial statements set out on pages 33 to 149 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SZE YUET PING
(MIA No. 15110)

Subscribed and solemnly declared by the abovenamed Sze Yuet Ping at Kuala Lumpur in the Federal Territory on 21 March 2025.

Before me,

COMMISSIONER FOR OATHS

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

In the name of Allah, Most Beneficent, Most Merciful

Praises be to Allah, Lord of the Worlds' peace and blessings be upon Prophet Muhammad, and on his family and companions.

We have reviewed the principles and the contracts relating to products introduced by the Company during the financial year ended 31 December 2024. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah principles and requirements, Shariah resolution issued by Shariah Advisory Council of Bank Negara Malaysia, Shariah standards issued by Bank Negara Malaysia pursuant to Section 29 of the Islamic Financial Services Act 2013, relevant Shariah rulings issued by the Shariah Advisory Council of Securities Commission Malaysia, as well as decisions made by us.

The Management of the Company 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 periodic review of the operations of the Company.

We have assessed the works carried out by the internal control functions of Shariah review and Shariah audit through reports provided by the internal control functions which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Company. We have also assessed the periodic reports by the internal Shariah control function of Shariah risk management on Shariah non-compliance risk in the operations, business, affairs and operations of the Company.

We performed our review so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated any Shariah principles.

In our opinion:

1. The structures and contracts of products offered, the transactions and dealings entered into by the Company, the business initiatives and the relevant processes and policies introduced by the Company during the financial year ended 31 December 2024 that we have reviewed are in compliance with Shariah requirements and principles;
2. The allocation of profit and/or charging of losses relating to various funds conforms to the basis that had been approved by us in accordance with Shariah principles;
3. The distribution of surplus arising from the Participants' Risk Fund conforms to the respective internal policies that had been endorsed by us;
4. The provision of loan from the Shareholders' Fund to certain Participants' Risk Fund to cover the deficit is in accordance with the principle of *qard* (interest free loan);
5. Based on the periodic disclosure made by the Management and our perusal of the incidents that were identified and reported during this financial year, there is no Shariah non-compliance event noted;
6. No Shariah non-compliant income has been recorded during the financial year; and
7. The payment of zakat was deliberated and approved by the Shariah Committee.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONTINUED)

We, the members of the Shariah Committee of AIA PUBLIC Takaful Bhd. do hereby confirm, that 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 Shariah non-compliances.

"He knows what is in the heavens and earth; He knows what you conceal and what you reveal; God knows very well the secrets of every heart." (Surah *At-Taghabun*, chapter 64, verse 4).

Allah knows best.

Signed on behalf of the Shariah Committee by:

IR. DR. MUHAMAD FUAD BIN ABDULLAH
Chairman, Shariah Committee

PROFESSOR DR. MUHAMAD RAHIMI OSMAN
Member, Shariah Committee



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD.**
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AIA PUBLIC Takaful Bhd. (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2024, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 33 to 149.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors’ report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors’ report and Shariah Committee’s report, but does not include the financial statements of the Company and our auditors’ report thereon.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

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.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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.
- (e) 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.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 201101007816 (935955-M)

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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
03252/05/2026 J
Chartered Accountant

Kuala Lumpur
21 March 2025

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024		2023	
		Family Takaful	Company	Family Takaful	Company
		fund	RM'000	fund	RM'000
Takaful revenue	3	871,272	1,084,227	714,947	958,421
Takaful service expense	4	(985,657)	(841,922)	(893,422)	(794,127)
Takaful service result before retakaful certificates held		(114,385)	242,305	(178,475)	164,294
Net (expenses)/income from retakaful certificates held		(21,879)	(12,681)	1,016	6,629
Takaful service result		(136,264)	229,624	(177,459)	170,923
<u>Profit income from:</u>					
Financial assets not measured at fair value through profit or loss		9,598	30,072	10,351	26,763
Financial assets measured at fair value through profit or loss		94,778	94,778	80,900	81,162
Other investment income		296,965	300,767	122,726	123,092
Movement in impairment (loss)/gain on financial assets		(147)	(2,476)	228	(131)
Net investment result	5	401,194	423,141	214,205	230,886
Takaful finance expenses for takaful certificates issued	6	(264,475)	(353,749)	(23,986)	(165,542)
Retakaful finance income/(expenses) for retakaful certificates held	6	21,879	1,625	(1,016)	2,252
Net takaful financial result		(242,596)	(352,124)	(25,002)	(163,290)

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

	Note	2024		2023	
		Family Takaful	Company	Family Takaful	Company
		fund	Company	fund	Company
		RM'000	RM'000	RM'000	RM'000
Other operating revenue		-	113	-	64
Other operating expenses	7	-	(36,062)	-	(22,850)
Profit before zakat and taxation		22,334	264,692	11,744	215,733
Tax expense attributable to participants		(22,334)	(22,334)	(11,744)	(11,744)
Profit before zakat and taxation attributable to shareholders		-	242,358	-	203,989
Zakat		-	(100)	-	(283)
Taxation	8	(22,334)	(75,358)	(11,744)	(60,438)
Tax expense attributable to participants		22,334	22,334	11,744	11,744
Tax expense attributable to shareholders		-	(53,024)	-	(48,694)
Net profit for the year		-	189,234	-	155,012
Profit per share (sen): Basic	18		42.05		34.45

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

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	<u>2024</u>		<u>2023</u>	
	<u>Family Takaful fund</u> RM'000	<u>Company</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Company</u> RM'000
Net profit for the year	-	189,234	-	155,012
Other comprehensive income:				
<u>Items that may be subsequently reclassified to profit or loss</u>				
Net fair value gains on financial assets at fair value through other comprehensive income	-	3,684	-	12,482
Net realised (losses)/gains on financial assets at fair value through other comprehensive income reclassified to profit or loss	-	(3,144)	-	88
Deferred tax	-	(130)	-	(3,576)
Other comprehensive income for the year	-	410	-	8,994
Total comprehensive income for the year	-	189,644	-	164,006

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

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	2024		2023	
		Family Takaful	Company	Family Takaful	Company
		fund	Company	fund	Company
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property and equipment	9	-	344	-	299
Intangible assets	10	-	15,301	-	14,817
Right-of-use-assets	11	-	1,537	-	1,912
Financial assets - fair value through other comprehensive income	12	145,612	726,816	157,043	606,719
Financial assets - fair value through profit or loss (FVTPL)	12	3,830,715	3,844,358	3,187,054	3,200,371
Takaful certificate assets	13	109,856	82,759	65,327	27,784
Retakaful certificate assets	13	26,794	100,055	19,094	103,035
Other receivables	14	26,054	33,639	25,616	32,353
Tax recoverables		-	4,743	-	1,938
Cash and cash equivalents		199,448	228,782	184,567	210,786
Total assets		4,338,479	5,038,334	3,638,701	4,200,014
EQUITY					
Share capital	17	-	450,000	-	450,000
General reserves	28	-	(33,333)	-	(33,333)
Retained earnings		-	878,418	-	689,184
Other comprehensive income fair value reserves		-	3,685	-	3,275
Total equity		-	1,298,770	-	1,109,126

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONTINUED)

		2024		2023	
	Note	Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000	Company RM'000
LIABILITIES					
Takaful certificates liabilities	13	4,163,130	3,461,804	3,502,895	2,857,648
Deferred tax liabilities	15	19,983	231,261	4,201	193,743
Lease liabilities	11	-	1,672	-	2,039
Other payables	16	153,528	44,827	129,565	37,458
Tax payables		1,838	-	2,040	-
Total liabilities		<u>4,338,479</u>	<u>3,739,564</u>	<u>3,638,701</u>	<u>3,090,888</u>
Total equity and liabilities		<u>4,338,479</u>	<u>5,038,334</u>	<u>3,638,701</u>	<u>4,200,014</u>

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

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	<u>Share capital</u> RM'000	<u>General reserves</u> RM'000	<u>Fair value reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total equity</u> RM'000
At 1 January 2023	450,000	(33,333)	(5,719)	534,172	945,120
Total comprehensive income for the year	-	-	8,994	155,012	164,006
At 31 December 2023	<u>450,000</u>	<u>(33,333)</u>	<u>3,275</u>	<u>689,184</u>	<u>1,109,126</u>
At 1 January 2024	450,000	(33,333)	3,275	689,184	1,109,126
Total comprehensive income for the year	-	-	410	189,234	189,644
At 31 December 2024	<u>450,000</u>	<u>(33,333)</u>	<u>3,685</u>	<u>878,418</u>	<u>1,298,770</u>

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

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	<u>2024</u> RM'000	<u>2023</u> RM'000
Cash flows from operating activities		
Profit before taxation for the financial year	264,692	215,733
Adjustments for:		
Allowance/(reversal) for expected credit loss of other financial assets	519	(790)
Depreciation of property and equipment	124	79
Depreciation of right-of-use assets	375	381
Amortisation of intangible assets	6,172	4,373
Finance cost of leases	79	48
Net amortisation of premium on investments	5,084	3,945
Profit Income	(119,766)	(103,980)
Dividend Income	(34,018)	(30,389)
Realised (gain)/loss	(52,813)	10,149
Fair value gains on FVTPL financial assets	(213,914)	(103,077)
Operating loss before working capital changes	<u>(143,466)</u>	<u>(3,528)</u>
Increase in other receivables	(1,286)	(3,708)
Decrease/(increase) in retakaful assets	2,980	(22,248)
Increase in net takaful certificates liabilities	549,181	490,458
Increase/(decrease) in other payables	7,553	(4,825)
Increase in financial assets	(502,902)	(643,523)
Cash used in operating activities	<u>(87,940)</u>	<u>(187,374)</u>
Finance cost of leases paid	(79)	(48)
Zakat paid	(283)	(50)
Income tax paid	(40,775)	(25,097)
Profit income received	119,766	103,980
Dividend received	34,499	31,558
Net cash generated from/(used) in operating activities	<u>25,188</u>	<u>(77,031)</u>
Cash flows from investing activities		
Purchase of property and equipment	(169)	(182)
Purchase of intangible assets	(6,656)	(4,692)
Acquisition of right-of-use assets	-	(1,110)
Net cash used in investing activities	<u>(6,825)</u>	<u>(5,984)</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

	<u>2024</u> RM'000	<u>2023</u> RM'000
Cash flows from financing activities		
Repayment of lease liabilities	(367)	712
Net cash (used in)/generated from financing activities	<u>(367)</u>	<u>712</u>
Net increase/(decrease) in cash and cash equivalents	17,996	(82,303)
Cash and cash equivalents at 1 January	<u>210,786</u>	<u>293,089</u>
Cash and cash equivalents at 31 December	<u><u>228,782</u></u>	<u><u>210,786</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	120,303	104,084
Fixed deposit with licensed Islamic Banks	108,479	106,702
	<u><u>228,782</u></u>	<u><u>210,786</u></u>

Analysis of changes in lease liabilities arising from financing activities is as follows:

	<u>Balances as at beginning of the financial year</u> RM'000	<u>Net cash flow from operating activities</u> RM'000	<u>Net cash flow from financing activities</u> RM'000	<u>Finance cost of leases</u> RM'000	<u>Balances as at end of the financial year</u> RM'000
2024 Lease liabilities	<u>2,039</u>	<u>(79)</u>	<u>(367)</u>	<u>79</u>	<u>1,672</u>
2023 Lease liabilities	<u>1,327</u>	<u>(48)</u>	<u>712</u>	<u>48</u>	<u>2,039</u>

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

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

1 CORPORATE INFORMATION

The Company is engaged principally in managing Family Takaful business including investment linked business. There has been no significant change in the principal activity during the financial year.

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

Principal place of business

Level 14, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

Registered office

Level 13 & Level 29, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

The immediate holding company and ultimate holding company of the Company are AIA Bhd., a company incorporated in Malaysia and AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 March 2025.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and effects arising from adoption of revised MFRS

- (a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2024.

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial period beginning on 1 January 2024:

- Amendments to MFRS 101 "Classification of liabilities as current or non-current" ('2020 amendments') and "Non-current Liabilities with Covenants" ('2022 amendments').
- Amendments to MFRS 16, Lease Liability in a Sale and Leaseback.
- Amendments to MFRS 107 "Statement of Cash Flows" and MFRS 7 "Financial Instruments: Disclosure on supplier finance arrangement.

The adoption of the above accounting standards, amendments and interpretations do not have any significant impact to the financial statements.

- (b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but are not effective for the financial year ended 31 December 2024 and have not been early adopted.

The Company will apply the new standards, amendments to standards and interpretations in the following period and not expected to have a material impact on the financial position or results of the Company.

- MFRS 18 Presentation and Disclosure in Financial Statements
- Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures
- Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)
- Amendments that are part of Annual Improvements – Volume 11:
 - Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Amendments to MFRS 7 Financial Instruments: Disclosures
 - Amendments to MFRS 9 Financial Instruments
 - Amendments to MFRS 10 Consolidated Financial Statements
 - Amendments to MFRS 107 Statement of Cash Flows

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Critical Accounting Estimates and Judgements

The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to takaful certificates, classification of financial assets, impairment of financial assets and fair value measurement.

Level of aggregation and recognition of group of takaful certificates

For certificates issued to which the Company does not apply the premium allocation approach (PAA), the judgements exercised in determining whether certificates are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the certificates becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of takaful certificates is described in note 2.4.

Measurement of takaful certificates not measured under the premium allocation approach

The asset or liability for groups of takaful certificates is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of takaful certificates represent the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustments for non-financial risk are based on actual experience and certificate form. The Company exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Company will recognise as it provides services under the takaful certificates in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the certificates in the group, determined by considering for each certificate, the quantity of the services provided under a certificate and its expected coverage period. The Company exercises judgements in determining the quantity of the services provided under a certificate which will affect the amounts recognised in the financial statements as takaful revenue from takaful certificates issued.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Critical Accounting Estimates and Judgements (continued)

Measurement of takaful certificates not measured under the premium allocation approach (continued)

The judgements exercised in the valuation of takaful certificates affect the amounts recognised in the financial statements as assets or liabilities of takaful certificates. Further details of the related accounting policies, key risk and variables, and the sensitivities of assumptions to the key variables in respect of takaful certificates are provided in Notes 2.4 and 24.

Determination of coverage unit

The CSM of a group of certificates is recognised as takaful revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each certificate, the quantity of the services provided, its expected coverage duration and time value of money.

The quantity of services provided by takaful certificates could include takaful coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by takaful certificates, the terms and benefit features of the certificates are considered.

For certificates providing predominately takaful coverage, the quantity of services is determined for the certificates as a whole based on the expected maximum benefits less investment component. For certificates providing multiple services, the quantity of services is determined based on the benefits provided to certificate holder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and contribution. The Company applies judgement in these determinations.

Expected coverage duration is derived based on the likelihood of a covered event occurring to the extent they affect the expected duration of certificates in the group. Determining the expected coverage duration is judgemental since it involves making an expectation of when claims and lapse will occur.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured 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 reporting date; and
- financial assets (other than other receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Critical Accounting Estimates and Judgements (continued)

Impairment of financial assets (continued)

Loss allowances for other receivables and lease receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowance for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.4 Summary of material accounting policies

2.4.1 Takaful and retakaful certificates

(a) Separating components from takaful and retakaful certificates held

At inception, the Company separates the following components, where applicable from a takaful certificate or a retakaful certificate held and accounts for them as if they were stand-alone financial instruments e.g. on distinct investment components — i.e. investment components that are not highly inter-related with the takaful components and for which certificates with equivalent terms are sold, or could be sold, separately.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies

2.4.1 Takaful and retakaful certificates (continued)

(a) Separating components from takaful and retakaful certificates held (continued)

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or services other than takaful coverage and investment services and accounts for them as separate certificates with customers (i.e. not as takaful certificates). A good or service is distinct if the certificate holder can benefit from it either on its own or with other resources that are readily available to the certificate holder. A good or service is not distinct and is accounted for together with the takaful component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the takaful component, and the Company provides a significant service of integrating the good or service with the takaful component.

(b) Level of aggregation and recognition of takaful certificates and retakaful certificates held

Takaful certificates

Takaful certificates are aggregated into groups for measurement purposes. Groups of takaful certificates are determined by identifying portfolios of takaful certificates, each comprising certificates subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of certificates:

- any certificates that are onerous on initial recognition;
- any certificates that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining certificates in the portfolio.

A takaful certificate issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any contribution within the boundary of the certificate);
- when the first payment from the certificate holder becomes due or, if there is no contractual due date, when it is received from the certificate holder; and
- when facts and circumstances indicate that the certificate is onerous.

When the certificate is recognised, it is added to an existing group of certificates or, if the certificate does not qualify for inclusion in an existing group, it forms a new group to which future certificates are added. Groups of takaful certificates are established on initial recognition and their composition is not revised once all certificates have been added to the group.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

- (b) Level of aggregation and recognition of takaful certificates and retakaful certificates held (continued)

Retakaful certificates held

Retakaful certificates held by the Company cover underlying takaful certificates.

A group of retakaful certificates held is recognised on the following dates:

- Retakaful certificates held that provide proportionate coverage: Generally, later of the beginning of the coverage period of the group of retakaful certificates held, or the date on which any underlying takaful certificate is initially recognised.
- Other retakaful certificates held: The beginning of the coverage period of the group of retakaful certificates held. However, if the Company recognises an onerous group of underlying takaful certificates on an earlier date and the related retakaful certificate held was entered into on or before that earlier date, then the group of retakaful certificates held is recognised on that earlier date.
- Retakaful certificates acquired: The date of acquisition.

- (c) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

- (d) Certificate boundaries

The measurement of a group of certificates includes all the future cash flows within the boundary of each certificate in the group, determined as follows:

Takaful certificates

Cash flows are within the boundary of a certificate if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the certificate holder to pay contributions or has a substantive obligation to provide takaful certificate services.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(d) Certificate boundaries (continued)

The measurement of a group of certificates includes all the future cash flows within the boundary of each certificate in the group, determined as follows (continued):

Takaful certificates (continued)

A substantive obligation to provide takaful certificate services ends when:

- the Company has the practical ability to reassess the risks of the particular certificate holder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the certificate and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the contributions for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Retakaful certificates held

Cash flows are within the certificate boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the retakaful or has a substantive right to receive services from the retakaful.

A substantive right to receive services from the retakaful ends when the retakaful:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The certificate boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

(e) Takaful acquisition cash flows

Takaful acquisition cash flows are allocated to groups of takaful certificates using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all certificates have been added to the group.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(e) Takaful acquisition cash flows (continued)

Takaful acquisition cash flows arising before the recognition of the related groups of takaful certificates are recognised as an asset. Such an asset is recognised for each group of certificates to which the takaful acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the takaful acquisition cash flows are included in the measurement of the related groups of takaful certificates.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for takaful acquisition cash flows may be impaired, then the Company:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those takaful acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Company recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

(f) Measurement - takaful certificates not measured under PAA

Initial measurement

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

- (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and
- (b) the contractual service margin (CSM).

The risk adjustment for non-financial risk for a group of certificates, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(f) Measurement - takaful certificates not measured under PAA (continued)

Initial measurement (continued)

The CSM of a group of certificates represents the unearned profit that the Company will recognise as it provides services under those certificates. On initial recognition of a group of certificates, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for takaful acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from takaful revenue.

Subsequent measurement

The carrying amount of a group of takaful certificates at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the certificates in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of takaful certificates are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

- Changes relating to future services are adjusted against the CSM (or recognised in the takaful service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the takaful service result in profit or loss; and
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as takaful finance income or expenses for takaful certificates without direct participation features or adjusted against CSM for takaful certificates with direct participation features.

The CSM of each group of certificates is calculated at each reporting date as follows.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(f) Measurement - takaful certificates not measured under PAA (continued)

Takaful certificates without direct participation features

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

- the CSM of any new certificates that are added to the group in the period;
- profit accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in takaful service expenses and recognised as a loss component in LRC; or
 - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in takaful service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as takaful revenue for service provided in the period.

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from contributions received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any takaful finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the certificate. Changes in cash flows arising from the Company's discretion are regarded as relating to future services and accordingly adjust the CSM, these cash flows are determined based on the relevant certificate terms.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(f) Measurement - takaful certificates not measured under PAA (continued)

Takaful certificates with direct participation features

Certificates with direct participation features are certificates under which the Company's obligation to the certificate holder is the net of:

- the obligation to pay the certificate holder 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.

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

- the CSM of any new certificates that are added to the group in the period;
- 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:
 - 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. The excess is recognised in takaful service expenses and recognised as a loss component in LRC; 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 service, which adjust the loss component in the LRC and the corresponding amount is recognised in takaful service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as takaful revenue for service provided in the period.

(g) Measurement – takaful certificates measured under the PAA

The Company generally uses the PAA to simplify the measurement of groups of takaful certificates in the following circumstances:

- where the coverage period of each certificate in the group of certificates is one year or less; or
- the Company reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of certificates not measured under PAA.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(g) Measurement – takaful certificates measured under the PAA (continued)

Initial measurement

On initial recognition of each group of certificates, the carrying amount of the LRC is measured at the contributions received on initial recognition minus any takaful acquisition cash flows allocated to the group at that date and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Company has elected the accounting policy choice to defer takaful acquisition cash flows through the LRC.

Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any contributions received; and (ii) any amortisation of the takaful acquisition cash flows, and decreased by (i) takaful acquisition cash flows paid; (ii) the amount recognised as takaful revenue for coverage provided; and (iii) any investment component paid or transferred to the liability of incurred claims. On initial recognition of each group of certificates, the Company expects that the time gap between providing each part of the coverage and the related contribution due date is not significant. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of certificates is onerous, then the Company recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk. In subsequent periods, unless facts and circumstances indicate that the group of certificates is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(g) Measurement – takaful certificates measured under the PAA (continued)

Subsequent measurement (continued)

The Company recognises LIC of a group of takaful certificates for the amount of fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

(h) Retakaful certificates held

For groups of retakaful certificates held, the Company applies the same accounting policies as that applied to takaful certificates without direct participation features, with the following modifications.

The carrying amount of a group of retakaful certificates held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the certificates in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying takaful certificates, with an adjustment for any risk of non-performance by the retakaful. The effect of the non-performance risk of the retakaful is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the retakaful.

On initial recognition, the CSM of a group of retakaful certificates held represents a net cost or net gain on purchasing retakaful. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the certificates in the group at that date and (d) any income recognised in profit or loss because of onerous underlying certificates recognised at that date. However, if any net cost on purchasing retakaful coverage relates to covered events that occurred before the purchase of the retakaful, then the Company recognises the cost immediately in profit or loss as an expense.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(h) Retakaful certificates held (continued)

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

- the CSM of any new certificates that are added to the group in the period;
- profit accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows; income recognised in profit or loss in respect of a loss recognised for onerous underlying certificates to that group. A loss-recovery component is established or adjusted in the remaining coverage of retakaful certificates held for the amount of income recognised;
- reversals of a loss-recovery to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying certificates, in which case they are recognised in profit or loss and create or adjust a loss-recovery component; and
- the amount recognised in profit or loss for the services received in the period.

Retakaful of onerous underlying takaful certificates

The Company adjusts the CSM of the group to which a retakaful certificates held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying certificates, if the retakaful certificates held is entered into before or at the same time as the onerous underlying certificates are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying certificates; and
- the percentage of claims on the underlying certificates that the Company expects to recover from the retakaful certificates held.

If the retakaful certificates held covers only some of the takaful certificates included in an onerous group of certificates, then the Company uses a systematic and rational method to determine a portion of losses on the onerous group of certificates containing the takaful certificates covered by the retakaful certificates held.

A loss-recovery component is established or adjusted in the remaining coverage of retakaful certificates held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the retakaful certificates held and are excluded from the allocation of retakaful contribution paid.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(h) Retakaful certificates held (continued)

Retakaful certificates held measured under PAA

The Company applies the same accounting policies to measure a group of retakaful certificates held under the PAA. If a loss-recovery component is established for a group of retakaful certificates held measured under PAA, the Company adjusts the carrying amount of the asset.

(i) Derecognition and certificate modification

The Company derecognises a certificate when it is extinguished — i.e. when the specified obligations in the certificate expire, are discharged or cancelled.

The Company also derecognises a certificate if its terms are modified in a way that would have changed the accounting for the certificate significantly had the new terms always existed, in which case a new certificate based on the modified terms is recognised. If a certificate modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a certificate in a group of certificates not measured under PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a certificate is derecognised because its terms are modified, then the CSM is also adjusted for the contribution that would have been charged had the Company entered into a certificate with the new certificate's terms at the date of modification, less any additional contribution charged for the modification. The new certificate recognised is measured assuming that, at the date of modification, the issuer received the contribution that it would have charged less any additional contribution charged for the modification.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(j) Presentation

Portfolios of takaful certificates and retakaful certificates held in an asset position are presented separately from those in a liability position. Portfolios of takaful certificates issued are presented separately from portfolios of retakaful certificates held. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of certificates (including any assets for takaful acquisition cash flows) are included in the carrying amount of the related portfolios of certificates. Any assets or liabilities for cash flows arising before the recognition of the related group of retakaful certificates held are included in the carrying amount of the related portfolios of retakaful certificates held.

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

Income and expenses from retakaful certificates held are presented separately from income and expenses from takaful certificates. Income and expenses from retakaful certificates held, other than takaful finance income or expenses, are presented on a net basis as net expenses from retakaful certificates held in the takaful service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the takaful service result and takaful finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the takaful service result.

Takaful revenue and takaful service expenses exclude any investment components and are recognised as follows.

Takaful revenue — takaful certificates not measured under the PAA

The Company recognises takaful revenue as it satisfies its performance obligations — i.e. as it provides services under groups of takaful certificates. For certificates not measured under the PAA, takaful revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Company expects to receive consideration, excludes expected investment components and mainly comprises the following items.

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other takaful service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for contribution receipts for current or past services.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(j) Presentation (continued)

Takaful revenue — takaful certificates not measured under the PAA (continued)

For takaful acquisition cash flows recovery, the Company allocates a portion of contributions related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of certificates. The allocated amount is recognised as takaful revenue with the same amount recognised as takaful service expenses.

Release of the CSM — takaful certificates not measured under the PAA

The amount of the CSM of a group of takaful certificates that is recognised as takaful revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the certificates in the group, determined by considering for each certificate the quantity of benefits provided and its expected coverage period.

Takaful revenue — takaful certificates measured under the PAA

For certificates measured under the PAA, the takaful revenue for each period is the amount of expected contribution for providing services in the period. The Company allocates the expected contribution to each period based on:

- the passage of time, or
- expected timing of incurred takaful service expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(j) Presentation (continued)

Loss components — takaful certificates not measured under the PAA

For certificates not measured under the PAA, the Company establishes a loss component of the LRC for onerous groups of takaful certificates. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from takaful revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of certificates.

Takaful service expenses

Takaful service expenses arising from takaful certificates are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other takaful service expenses;
- Amortisation of takaful acquisition cash flows: for certificates not measured under the PAA, this is equal to the amount of takaful revenue recognised in the year that relates to recovering takaful acquisition cash flows. For certificates measured under the PAA, the Company amortises takaful acquisition cash flows on a straight-line basis over the coverage period of the group of certificates;
- Losses on onerous certificates and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Net expenses from retakaful certificates held

Net expenses from retakaful certificates held comprise an allocation of retakaful contributions paid less amounts recovered from retakaful.

The Company recognises an allocation portion of ceding retakaful contributions paid as retakaful expenses within net expenses from retakaful certificates held for the coverage or other services received by the Company under groups of retakaful certificates held. For certificates not measured under the PAA, the allocation of retakaful contributions paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

For certificates measured under the PAA, the allocation of retakaful contributions paid for each period is the amount of expected contribution payments for receiving services in the period.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.1 Takaful and retakaful certificates (continued)

(j) Presentation (continued)

Net expenses from retakaful certificates held (continued)

For a group of retakaful certificates held covering onerous underlying certificates, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying certificates, if the retakaful certificates held covering those certificates is entered into before or at the same time as those certificates are entered into; and
- for changes in fulfilment cash flows of the group of retakaful certificates held relating to future services that result from changes in fulfilment cash flows of the onerous underlying certificates.

Takaful finance income or expenses

Takaful finance income or expenses comprise changes in the carrying amounts of groups of takaful certificates and retakaful certificates held arising from the effects of the time value of money, financial risk and changes therein. This includes changes in the measurement of groups of takaful certificates caused by changes in the value of underlying items (excluding additions and withdrawals).

2.4.2 Qard

Any deficit in the participants' risk fund within the Family Takaful Fund is made good via a Qard, which is a profit free financing, granted by the shareholder's fund ("SHF") to the participants' risk fund. In the participants' risk fund, Qard is included in fulfilment cash flows used to measure the takaful liabilities under MFRS 17.

Qard is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Family Takaful Fund's obligation to repay the nominal amount of Qard, nor does it affect or change any rights or obligations of the SHF.

The Qard shall be repaid from future surpluses of the participants' risk fund.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (Continued)

2.4.3 Financial instruments – Classification of and designation of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

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 at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- 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 solely payments of principal and profit on the principal amount outstanding.

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets and liabilities at fair value through profit or loss (“FVTPL”)

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities mandatorily classified as fair value through profit or loss; and
- financial assets or liabilities designated at fair value through profit or loss upon initial recognition.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.3 Financial instruments – Classification of and designation of financial instruments (continued)

Financial assets and liabilities at fair value through profit or loss (“FVTPL”) (continued)

For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

Financial assets at fair value through other comprehensive income (“FVOCI”)

These principally consist of the Company’s debt securities (other than those backing participating funds and unit-linked certificates). These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes.

Recognition of financial instruments

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Company commits to purchase or sell the assets.

Realised gains and losses on financial assets

Realised gains and losses on financial assets measured at fair value through profit or loss excludes any profit income or dividend income.

Realised gains and losses on financial assets measured at fair value through other comprehensive income are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate. Amortised cost is determined by specific identification.

Derecognition, contract modification and offset

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Company is exposed to changes in the fair value of the asset.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.3 Financial instruments – Classification of and designation of financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments held for cash management purposes, which have maturities at acquisition of three months or less, or are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include cash and cash equivalents held for the benefit of certificate holders in connection with unit-linked products. Cash and cash equivalents that are not mandatorily measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost

Other than cash and cash equivalents, financial assets measured at amortised cost primarily include loans and deposits, and receivables. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest revenue from loans and deposits is recognised in investment return in the income statement using the effective interest method.

2.4.4 Financial Liabilities

All financial liabilities are initially recorded at fair value. Subsequent to initial recognition, financial liabilities are carried at amortised cost using effective profit rate method.

2.4.5 Impairment of Financial Assets

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured 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 reporting date; and
- financial assets (other than other receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for other receivables and lease receivables are always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.5 Impairment of Financial Assets (continued)

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowance for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.4.6 Fair values of non-derivative financial instruments

The fair value of a financial instrument is the amount 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, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Company has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and fair value through other comprehensive income) are based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions at the date of each statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 12.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.7 Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

2.4.8 Equity Instruments

Ordinary Share Capital

Issued capital represents the nominal value of shares issued plus share contribution received from the issue of share capital, if any. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends on Ordinary Share Capital

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of statement of financial position. A dividend proposed or declared after the date of statement of financial position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of statement of financial position. Upon the dividend becoming payable, it will be accounted for as a liability.

2.4.9 Product Classification

Takaful certificates are those certificates that transfer significant Takaful risk, whereby the takaful fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate the participants if a specified uncertain future event (the takaful event) adversely affects the participants. These certificates may also transfer financial risk. Significant Takaful risk is defined as the possibility of paying significantly more in a scenario where the Takaful event occurs than in a scenario in which it does not. Scenarios considered are those with commercial substance.

Investment contracts are those contracts without significant Takaful risk.

Once a contract has been classified as a Takaful or investment contract, no reclassification is subsequently performed, unless the terms of the agreement are later amended.

Certain Takaful certificates have features which are distinct from other Takaful and investment contracts as the Company has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of participants. Participants may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or surplus sharing:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the Income Statement of the Company, fund or other entity that issues the contract.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.10 Family Takaful certificates

The Family Takaful fund is maintained in accordance with the requirements of the Act and includes the amount attributable to participants which represents the participants' share of the returns on the investments of the Family Takaful fund in accordance with the terms and conditions prescribed in the certificates and approved by the Shariah Committee of the Company.

Surplus distributable to the Company and participants is determined after retakaful, benefits paid and payable, expenses, provision, reserves and withholding tax. The surplus is distributed to the Company and participants in accordance with the terms and conditions prescribed in the certificates.

Any deficit in the participants' risk fund will be made good by the SHF via a *qard* (interest free loan).

2.4.11 Other financial liabilities and Takaful payables

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

2.4.12 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of statement of financial position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.4.13 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.13 Employee benefits

(ii) Post-retirement benefit obligations

Defined Contribution Plans

As required by law, the Company make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement of the SHF as incurred. Once the contributions have been paid, the Company has no further payment obligations.

2.4.14 Foreign currency

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in thousands of Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of respective funds.

Translation differences on non-monetary items carried at fair value are translated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

2.4.15 Taxation

Income tax on profit or loss for the financial period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial period and is measured using the tax rates that have been enacted at the date of statement of financial position.

In addition to paying tax on SHF's profit, Family Takaful fund pay tax on certificate holders' investment returns at a tax rate of 8%.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.15 Taxation (continued)

Deferred tax is provided for, using the liability method, on temporary differences at the date of statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of statement of financial position. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity in which case the deferred tax is also charged or credited in other comprehensive income.

2.4.16 Other revenue recognition

Gains and losses on disposal of investments are determined by comparing the sales proceeds and the carrying amounts of the investments and the resulting difference is credited or charged to the income statements of the respective funds. Cost is determined by specific identification.

2.4.17 Property and equipment and depreciation

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in income statement during the financial period in which they are incurred. The cost of major renovations is included in work in progress and will be transferred to property and equipment once it has been completed and it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Company.

The residual values, useful life and depreciation method are reviewed and adjusted, if applicable, at each date of the statement of financial position. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.17 Property and equipment and depreciation (continued)

The gain and loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in income statement of the respective funds and presented within other operating revenue or expenses.

Property and equipment are depreciated on the straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Furniture, fixtures and fittings	5 – 10 years
Office equipments	3 – 5 years
Motor vehicles	5 years

2.4.18 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each date of the statement of financial position.

Amortisation is charged to the income statement.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the assets and is recognised in the income statement and presented within other operating revenue or expense when the asset is derecognised.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the indefinite useful lives assessment continues to be supportable.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.18 Intangible assets (continued)

(i) Software development in progress

Software development in progress is tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, the asset is reclassified to computer software and amortisation of the asset begins. It is amortised over the period of expected future use. During the period in which the asset is not yet in use, it is tested for impairment annually.

(ii) Computer software and licences

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technological obsolescence.

The acquired computer software and licenses are amortised using the straight-line method over their estimated useful lives ranging from 3 to 15 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at the end of each date of the statement of financial position.

2.4.19 Impairment of non-financial assets

Property and equipment, intangible assets and other non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's or cash generating unit's fair value less costs of disposal and its value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to income statement. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in income statement of the respective funds immediately.

2.4.20 Balances with related companies

Balances with related companies are stated at the amounts which these balances are due and expected to be settled.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.21 Leases

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e., the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and assesses whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iii) below).

(ii) ROU Assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset’s useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.21 Leases (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of finance cost on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in income statement in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Finance cost on the lease liability is presented within the finance cost in income statement.

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of material accounting policies (continued)

2.4.21 Leases (continued)

(v) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line bases as an expense in income statement.

2.4.22 Zakat

Zakat is an obligatory alms payable by the Company to the relevant zakat authority(ies) upon meeting the prescribed conditions of zakat as approved by the Shariah Committee.

Zakat provision is calculated based on adjusted working capital method and adjusted growth method at the zakat rate of 2.5% plus 0.078% (or 0.085% for leap year), 2.5% being the zakat rate established in Shariah for one full cycle of Islamic calendar year (354 days) and 0.078% (or 0.085% for leap year) being the additional zakat rate for the extra 11 days (or 12 days for a leap year) in a Gregorian calendar year, in accordance with the internal Zakat Policy.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3 TAKAFUL REVENUE

	Note	2024		2023	
		Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000	Company RM'000
<u>Certificates not measured under PAA</u>					
Amounts relating to the changes in the liability for remaining coverage:					
Expected claims and takaful service expenses incurred in the year					
	a	731,905	639,818	605,515	576,351
	b	-	9,790	-	8,122
		-	233,513	-	194,432
		(11,199)	16,107	(33,536)	(634)
	c	49,502	84,200	52,269	86,448
Takaful revenue - certificates not measured under PAA	13.1.1.1	770,208	983,428	624,248	864,719
Takaful revenue - certificates measured under PAA	13.1.2.1	101,064	100,799	90,699	93,702
Total takaful revenue		871,272	1,084,227	714,947	958,421

Notes:

- Expected takaful service expenses incurred in the period comprise claims and other expenses which the Family Takaful fund expects to pay on covered events that occurred during the year.
- Change in risk adjustment shows amount of risk which expired during the year.
- Acquisition cash flows are allocated on a straight-line basis over the coverage period of the group of certificates.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

4 TAKAFUL SERVICE EXPENSES

	<u>Note</u>	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Family Takaful fund</u>			
Incurring claims and other takaful service expenses		737,901	649,404
Incurring wakalah fees	a, d	69,796	47,030
Incurring surplus to SHF	b	85,000	71,500
Incurring surplus to participants	b	85,000	71,500
Incurring investment profits to SHF		15,000	8,807
Amortisation of acquisition cash flows - wakalah fees	c	62,963	72,133
Changes to liabilities for incurred claims		<u>(70,003)</u>	<u>(26,952)</u>
Total takaful service expenses		<u>985,657</u>	<u>893,422</u>
Represented by:			
Certificates not measured under PAA	13.1.1.1	877,758	790,182
Certificates measured under PAA	13.1.2.1	<u>107,899</u>	<u>103,240</u>
		<u>985,657</u>	<u>893,422</u>

Notes:

a. The wakalah fees paid to the SHF during the year is RM513,957,000 (2023: RM540,476,000). The breakdown of incurred wakalah fees by nature is as follows:

	<u>2024</u> RM'000	<u>2023</u> RM'000
Wakalah fees – Commissions	255,100	272,759
Wakalah fees – Management expenses	<u>258,857</u>	<u>267,717</u>
	<u>513,957</u>	<u>540,476</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

4 TAKAFUL SERVICE EXPENSES (CONTINUED)

<u>Company</u>	<u>Note</u>	<u>2024</u> RM'000	<u>2023</u> RM'000
Incurring claims and other takaful service expenses		725,069	646,023
Incurring surplus to participants		85,000	71,500
Amortisation of acquisition cash flows	c	95,642	97,410
Losses on onerous certificates and reversal of losses on onerous certificates		241	11,886
Changes to liabilities for incurred claims		(64,030)	(32,692)
Total takaful service expenses		<u>841,922</u>	<u>794,127</u>
<u>Represented by:</u>			
Certificates not measured under PAA	13.1.1.1	747,373	705,947
Certificates measured under PAA	13.1.2.1	94,549	88,180
Total		<u>841,922</u>	<u>794,127</u>

Notes:

- b. The surplus paid to the SHF during the year is RM100,001,000 (2023: RM80,307,000). The surplus paid to certificate holders during the year is RM145,004,000 (2023: RM106,728,000).
- c. Acquisition cash flows are allocated on a straight-line basis over the coverage period of the group of certificates.
- d. Wakalah fee income paid to Shareholders' fund and commission incurred by Shareholders' fund are as follows:

	<u>2024</u> RM'000	<u>2023</u> RM'000
Wakalah fees	513,957	540,476
Commission expenses	255,100	272,759

- e. Inclusive in Takaful Service Expenses, there is an incurred takaful benefits payable in the form of hibah from the SHF to the takaful participants and/or the Family Takaful Fund, which is supplementary to the main takaful benefits of RM968,000 (2023: RM1,283,000).

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5 NET INVESTMENT RESULT

	Family Takaful fund <u>RM'000</u>	<u>Company</u> RM'000
<u>2024</u>		
Profit income of financial assets not measured at FVTPL		
At amortised cost	3,632	3,946
At FVOCI	5,966	26,126
Profit income of financial assets measured at FVTPL		
At FVTPL - designated	82,628	82,628
At FVTPL - mandatory	12,150	12,150
Other investment revenue		
Dividend income	33,333	34,018
Net gains of financial assets not measured at FVTPL		
At FVOCI	311	3,144
Net gains/(losses) of financial assets measured at FVTPL		
Debt securities (designated)	21,483	21,483
Debt securities (mandatory)	(733)	(895)
Equity securities	246,310	247,393
Net losses of other financial instruments measured at FVTPL		
Net foreign exchange losses	(3,739)	(4,376)
Movement in impairment loss on financial assets	(147)	(2,476)
Net investment result	<u>401,194</u>	<u>423,141</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

5 NET INVESTMENT RESULT (CONTINUED)

	Family Takaful fund <u>RM'000</u>	<u>Company</u> RM'000
<u>2023</u>		
Profit income of financial assets not measured at FVTPL		
At amortised cost	4,506	4,815
At FVOCI	5,845	21,948
Profit income of financial assets measured at FVTPL		
At FVTPL - designated	69,860	69,860
At FVTPL - mandatory	11,040	11,302
Other investment revenue		
Dividend income	29,795	30,389
Net gains/(losses) of financial assets not measured at FVTPL		
At FVOCI	25	(88)
Net gains of financial assets measured at FVTPL		
Debt securities (designated)	64,150	64,150
Debt securities (mandatory)	6,634	6,796
Equity securities	19,141	19,239
Net gains of other financial instruments measured at FVTPL		
Net foreign exchange gains	2,981	2,606
Movement in impairment loss on financial assets	228	(131)
Net investment result	<u>214,205</u>	<u>230,886</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

6 TAKAFUL AND RETAKAFUL FINANCE INCOME & EXPENSES

	Family Takaful Fund RM'000	Company RM'000
<u>2024</u>		
<u>Takaful finance income/(expenses) from takaful certificates issued</u>		
Changes in fair value of underlying items	(262,453)	(385,042)
Profit accreted	(145)	(6,058)
Effect of changes in profit rates and other financial assumptions	(1,877)	38,960
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	-	(1,609)
	<u>(264,475)</u>	<u>(353,749)</u>
<u>2023</u>		
<u>Takaful finance income/(expenses) from takaful certificates issued</u>		
Changes in fair value of underlying items	(22,319)	(195,156)
Profit accreted	73	(5,547)
Effect of changes in profit rates and other financial assumptions	(1,740)	35,543
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	-	(382)
	<u>(23,986)</u>	<u>(165,542)</u>
<u>2024</u>		
<u>Retakaful finance income/(expenses) for retakaful certificates held</u>		
Profit accretion	6,555	1,625
Participant's share of changes in fair value of underlying items	15,324	-
	<u>21,879</u>	<u>1,625</u>
<u>2023</u>		
<u>Retakaful finance income/(expenses) for retakaful certificates held</u>		
Profit accretion	5,363	2,252
Participant's share of changes in fair value of underlying items	(6,379)	-
	<u>(1,016)</u>	<u>2,252</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

7 OTHER OPERATING EXPENSES

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Company</u>		
Claims and benefits	709,094	650,738
Commission and other acquisition expenses incurred	343,755	403,076
Losses on onerous takaful certificates	(633)	7,861
Employee benefit expenses	17,012	18,357
Depreciation	499	460
Amortisation	6,172	4,373
Operating lease rentals	366	320
Investment management expenses and others	13,866	10,836
Finance costs	79	48
Other expenses	105,903	92,255
Amortisation of acquisition cashflow	95,642	97,410
Amount attributed to takaful acquisition cash flow	<u>(413,428)</u>	<u>(468,440)</u>
	878,327	817,294
Expense attributable to takaful certificates	(841,922)	(794,128)
Expense attributable to retakaful certificates	<u>(343)</u>	<u>(316)</u>
Total other expenses	<u>36,062</u>	<u>22,850</u>
<u>Represented by:</u>		
Takaful service expenses		
- Certificate not measured under the PAA	747,373	705,948
- Certificate measured under the PAA	94,549	88,180
Other incurred expenses directly attributable to retakaful certificates held	343	316
Other expenses	<u>36,062</u>	<u>22,850</u>
Total	<u>878,327</u>	<u>817,294</u>

Expenses include auditors' remuneration, an analysis of which is set out below:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Company</u>		
Fee payable to PricewaterhouseCoopers Malaysia		
- statutory audit for current financial year	802	850
- audit-related services	22	-
Total	<u>824</u>	<u>850</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

7 OTHER OPERATING EXPENSES (CONTINUED)

Depreciation consists of:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Company</u>		
Furniture, fittings and office equipment	21	22
Computer equipment	88	47
Renovation	15	10
Right-of-use assets	375	381
Total	<u>499</u>	<u>460</u>

Finance costs may be analysed as:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Company</u>		
Lease liabilities	<u>79</u>	<u>48</u>

Employee benefit expenses consist of:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Company</u>		
Wages and salaries	14,316	15,119
Pension cost - defined contribution plans	2,193	2,337
Other employee benefit expenses	503	901
Total	<u>17,012</u>	<u>18,357</u>

8 TAXATION

	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>2024</u>		
<u>Tax expense:</u>		
- current	6,551	37,970
- deferred (Note 15)	15,783	37,388
	<u>22,334</u>	<u>75,358</u>
<u>Current tax</u>		
Current financial year	8,445	42,091
Over provision in prior financial year	(1,894)	(4,121)
	<u>6,551</u>	<u>37,970</u>
<u>Deferred tax</u>		
Origination and reversal of temporary differences	<u>15,783</u>	<u>37,388</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 TAXATION (CONTINUED)

	Family Takaful Fund RM'000	Company RM'000
<u>2023</u>		
<u>Tax expense:</u>		
- current	3,755	26,030
- deferred (Note 15)	7,989	34,408
	<u>11,744</u>	<u>60,438</u>
<u>Current tax</u>		
Current financial year	4,361	27,100
Over provision in prior financial year	(606)	(1,070)
	<u>3,755</u>	<u>26,030</u>
<u>Deferred tax</u>		
Origination and reversal of temporary differences	<u>7,989</u>	<u>34,408</u>

A reconciliation of income tax expense applicable to profit before zakat and taxation at the statutory income tax rate to the effective income tax rate of the Company is as follows:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Company</u>		
Profit before zakat and taxation	264,692	215,733
Taxation at Malaysian statutory tax rate of 24%	63,526	51,776
Expenses not deductible for tax purposes	3,098	5,155
Income not subject to tax	(2,679)	(2,401)
Over provision of tax expense in prior financial years	(4,121)	(1,070)
Tax relief on actuarial surplus transferred to Takaful Operator's fund	(6,800)	(4,766)
Tax expenses attributable to participant	22,334	11,744
Tax expense for the financial year	<u>75,358</u>	<u>60,438</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

8 TAXATION (CONTINUED)

The Company continues to closely monitor developments in respect of the tax policy work led by the Organisation for Economic Co-operation and Development (OECD) on the “Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy”, a phase of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project that is commonly referred to as “BEPS 2.0”, and constructively engages with relevant governments and the OECD on their work.

In 2021, the OECD/G20 Inclusive Framework on BEPS published the Global Anti-Base Erosion (GloBE) Model Rules, on which jurisdictions may model new local tax laws to give effect to the second pillar of BEPS 2.0 (“Pillar Two”), which seeks to impose a minimum effective tax rate on large multinational enterprises in respect of each jurisdiction in which they operate across the globe.

Pillar Two legislation in Malaysia introduces a Qualified Domestic Minimum Top-up Tax (QDMTT), which will be effective from 1 January 2025. Broadly, a QDMTT charges top-up tax on a group where the aggregate effective tax rate of constituent entities of that group located in that jurisdiction, calculated under the rules of the QDMTT (that are based on the GloBE Model Rules), is below the minimum rate of 15%.

MFRS 112 mandates that as a temporary exception to the standard’s requirements, entities shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Company has applied this exception and has not yet assessed the potential deferred tax impact of Pillar Two income taxes. The Company will continue to monitor the application of this temporary exception and will assess the accounting implications accordingly.

For the twelve-month period ended 31 December 2024, the Company had no current tax exposure related to Pillar Two legislation effective at the reporting date (twelve months ended 31 December 2023: nil).

Based on currently available information, the Company anticipates that such exposures, if any, would arise from 2025 onwards once the Pillar Two legislation in Malaysia is effective. However, due to significant areas of uncertainty in the application of the legislation, the quantitative impact of the Pillar Two legislation enacted at the reporting date, but not yet effective, is not yet known or reasonably estimable. The Company expects to be able to determine its Pillar Two income tax liabilities for reporting periods ending after 31 December 2024, as the legislation becomes less uncertain.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

9 PROPERTY AND EQUIPMENT

	<u>Computer equipment</u> RM'000	<u>Furniture, fittings and office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Renovation</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>					
At 1 January 2024	1,992	564	140	232	2,928
Additions	39	4	-	126	169
At 31 December 2024	<u>2,031</u>	<u>568</u>	<u>140</u>	<u>358</u>	<u>3,097</u>
<u>Accumulated depreciation</u>					
At 1 January 2024	1,770	528	140	191	2,629
Depreciation charge for the financial year	88	21	-	15	124
At 31 December 2024	<u>1,858</u>	<u>549</u>	<u>140</u>	<u>206</u>	<u>2,753</u>
<u>Net carrying amount</u>					
At 31 December 2024	<u>173</u>	<u>19</u>	<u>-</u>	<u>152</u>	<u>344</u>
<u>Cost</u>					
At 1 January 2023	1,810	564	140	232	2,746
Additions	182	-	-	-	182
At 31 December 2023	<u>1,992</u>	<u>564</u>	<u>140</u>	<u>232</u>	<u>2,928</u>
<u>Accumulated depreciation</u>					
At 1 January 2023	1,723	506	140	181	2,550
Depreciation charge for the financial year	47	22	-	10	79
At 31 December 2023	<u>1,770</u>	<u>528</u>	<u>140</u>	<u>191</u>	<u>2,629</u>
<u>Net carrying amount</u>					
At 31 December 2023	<u>222</u>	<u>36</u>	<u>-</u>	<u>41</u>	<u>299</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

10 INTANGIBLE ASSETS

	Computer software and <u>licenses</u> RM'000	Work <u>in-progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2024	35,839	4,449	40,288
Additions	5,309	1,347	6,656
Transfer	4,449	(4,449)	-
At 31 December 2024	<u>45,597</u>	<u>1,347</u>	<u>46,944</u>
<u>Accumulated amortisation</u>			
At 1 January 2024	25,471	-	25,471
Amortisation charge for the financial year	6,172	-	6,172
At 31 December 2024	<u>31,643</u>	<u>-</u>	<u>31,643</u>
<u>Net carrying amount</u>			
At 31 December 2024	<u>13,954</u>	<u>1,347</u>	<u>15,301</u>
<u>Cost</u>			
At 1 January 2023	26,787	8,809	35,596
Additions	3,138	1,554	4,692
Transfer	5,914	(5,914)	-
At 31 December 2023	<u>35,839</u>	<u>4,449</u>	<u>40,288</u>
<u>Accumulated amortisation</u>			
At 1 January 2023	21,098	-	21,098
Amortisation charge for the financial year	4,373	-	4,373
At 31 December 2023	<u>25,471</u>	<u>-</u>	<u>25,471</u>
<u>Net carrying amount</u>			
At 31 December 2023	<u>10,368</u>	<u>4,449</u>	<u>14,817</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Company is the lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	<u>2024</u> RM'000	<u>2023</u> RM'000
Rights-of-use assets		
Buildings	<u>1,537</u>	<u>1,912</u>
Lease liabilities		
Current	383	367
Non-current	<u>1,289</u>	<u>1,672</u>
	<u>1,672</u>	<u>2,039</u>

ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	<u>2024</u> RM'000	<u>2023</u> RM'000
Depreciation charge of right-of-use assets		
Buildings	<u>375</u>	<u>381</u>
Finance cost of leases	<u>79</u>	<u>48</u>

The total cash outflow for leases for the financial year ended 31 December 2024 and 31 December 2023 was RM445,638 and RM446,075 respectively for the Company.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 3.46% and 3.56% on 1 January 2024 and 1 January 2023 respectively.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS

(a) The Company's financial assets are as follows:

	Family Takaful Fund RM'000	Company RM'000
<u>2024</u>		
<u>Financial assets at FVOCI:</u>		
Government investment issues	4,631	107,819
Cagamas	18,555	42,642
Unquoted corporate sukuks	122,426	576,355
	<u>145,612</u>	<u>726,816</u>
<u>Financial assets at FVTPL:</u>		
Government investment issues	584,095	584,095
Cagamas	77,952	77,952
Unquoted corporate sukuks	1,769,002	1,769,002
Quoted shariah approved shares	1,245,974	1,259,617
Unquoted shariah approved equities	10,204	10,204
Shariah approved unit trusts	143,488	143,488
	<u>3,830,715</u>	<u>3,844,358</u>
	Family Takaful Fund RM'000	Company RM'000
<u>2023</u>		
<u>Financial assets at FVOCI:</u>		
Government investment issues	40,003	111,133
Cagamas	4,980	16,428
Unquoted corporate sukuks	112,060	479,158
	<u>157,043</u>	<u>606,719</u>
<u>Financial assets at FVTPL:</u>		
Government investment issues	445,995	445,995
Cagamas	33,880	33,880
Unquoted corporate sukuks	1,646,505	1,646,505
Quoted shariah approved shares	945,734	951,366
Unquoted shariah approved equities	14,515	22,130
Shariah approved unit trusts	89,380	89,380
REITS	11,045	11,115
	<u>3,187,054</u>	<u>3,200,371</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are as follows: (continued)

	<u>2024</u>		<u>2023</u>	
	Family Takaful Fund	Company	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
FVTPL	1,450,540	1,464,183	1,099,254	1,112,572
FVOCI	17,997	21,520	-	25,407
	<u>1,468,537</u>	<u>1,485,702</u>	<u>1,099,254</u>	<u>1,137,979</u>
<u>Non-current</u>				
FVTPL	2,380,175	2,380,175	2,087,800	2,087,800
FVOCI	127,615	705,297	157,043	581,311
	<u>2,507,790</u>	<u>3,085,472</u>	<u>2,244,843</u>	<u>2,669,111</u>

(b) Movement in carrying values

	Family Takaful Fund RM'000	Company RM'000
<u>FVOCI</u>		
At 1 January 2023	<u>137,230</u>	<u>523,170</u>
Purchases	75,906	267,501
Disposals at amortised cost	(58,946)	(196,025)
<u>Fair value loss recorded in:</u>		
Takaful certificates liabilities/ Other comprehensive income	3,011	13,291
Net amortisation of premiums	(158)	(1,218)
At 1 January 2024	<u>157,043</u>	<u>606,719</u>
Purchases	68,401	377,258
Disposals at amortised cost	(79,548)	(255,606)
<u>Fair value loss recorded in:</u>		
Takaful certificates liabilities/ Other comprehensive income	(89)	(142)
Net amortisation of premiums	(195)	(1,413)
At 31 December 2024	<u>145,612</u>	<u>726,816</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values (continued)

	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>FVTPL</u>		
At 1 January 2023	2,528,372	2,539,454
Purchases	1,534,671	1,537,854
Disposals at fair value	(976,068)	(977,125)
<u>Fair value loss recorded in:</u>		
Profit or loss	102,806	102,915
Net amortisation of premiums	(2,727)	(2,727)
At 1 January 2024	3,187,054	3,200,371
Purchases	2,034,945	2,045,375
Disposals at fair value	(1,600,388)	(1,611,793)
<u>Fair value loss recorded in:</u>		
Profit or loss	212,775	214,076
Net amortisation of premiums	(3,671)	(3,671)
At 31 December 2024	<u>3,830,715</u>	<u>3,844,358</u>

(c) Fair value hierarchy

The following table show financial investments recorded at fair value analysed by the different basis of fair value as follows:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>FVOCI</u>		
<u>Family Takaful fund</u>		
Valuation techniques – market observable inputs (Level 2)	<u>145,612</u>	<u>157,043</u>
<u>Company</u>		
Valuation techniques – market observable inputs (Level 2)	<u>726,816</u>	<u>606,719</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>FVTPL</u>		
<u>Family Takaful fund</u>		
Quoted market price (Level 1)	1,389,463	1,046,159
Valuation techniques – market observable inputs (Level 2)	2,441,252	2,140,895
	<u>3,830,715</u>	<u>3,187,054</u>
<u>Company</u>		
Quoted market price (Level 1)	1,403,105	1,051,861
Valuation techniques – market observable inputs (Level 2)	2,441,253	2,148,510
	<u>3,844,358</u>	<u>3,200,371</u>

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entity. The three-level hierarchy is defined as follows:

Level 1:

Financial instruments measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services. However, where prices have not been determined in active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models where majority of assumptions are market observable.

Level 3:

Financial instruments measured in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(d) Interests in structured entities

The Company has determined that the investment funds in mutual funds are structured entities.

The following table summarises the Company's investment in unconsolidated structured entities as at 31 December 2024 and 31 December 2023:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Investment Funds (1)</u>		
Equity securities at fair value through profit or loss	143,488	100,495

Notes:

(1) Balance represents the Company's interests in mutual funds.

The Company's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and profit income are received during the reporting period from interests in these unconsolidated structured entities.

(e) Impairment of financial assets

Inputs, assumptions, and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Company's credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Company monitors changes in credit risk by tracking the change in internal rating of the exposure. The Company also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(e) Impairment of financial assets (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of significant increases in credit risk is assessed based on the change in internal reporting as at the reporting date and the date of initial recognition. The internal rating at reporting date is rated based on the modified contractual terms while the initial rating is rated based on the original contractual terms.

Definition of default

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to mitigating actions. The criteria of "default" are consistent with those of "credit-impaired".

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on management knowledge and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published, supranational organisations, and selected private-sector and academic forecasters.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(e) Impairment of financial assets (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Incorporation of forward-looking information (continued)

The base case represents a best estimate and the other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macro-economic variables and key drivers of credit risk.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company leverages on the internal rating and convert it into probability of default based on the level of rating and obligor characteristics like industry type and country. The PDs are adjusted to reflect forward-looking information as described above. Changes in the rating at the reporting date for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company leverages on recovery statistics to calculate LGD. The LGD models consider a number of factors including among others, the structure, collateral and seniority of the claim, that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any debtor's extension options) over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type, credit risk gradings, collateral type, date of initial recognition, remaining term to maturity and industry of debtor.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external information that the Company uses to derive the default rates of its portfolios.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12 FINANCIAL ASSETS (CONTINUED)

(e) Impairment of financial assets (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Credit-impaired financial assets

Financial assets, other than those at FVTPL, are assessed for impairment regularly. This requires the exercise of significant judgement. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit-impaired. Objective evidence that a financial asset, or a group of assets, is credit-impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 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 are set out in the table below:

	2024		2023	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Family Takaful fund</u>				
Takaful certificates				
- Certificates not measured under the PAA	102,597	4,148,146	64,981	3,488,031
- Certificates measured under the PAA	7,259	14,984	346	14,864
	<u>109,856</u>	<u>4,163,130</u>	<u>65,327</u>	<u>3,502,895</u>
Retakaful certificates				
- Certificates not measured under the PAA	26,347	-	18,961	-
- Certificates measured under the PAA	447	-	133	-
	<u>26,794</u>	<u>-</u>	<u>19,094</u>	<u>-</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

Company	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Takaful certificates				
- Certificates not measured under the PAA	82,759	3,431,904	27,784	2,829,065
- Certificates measured under the PAA	-	29,900	-	28,583
	<u>82,759</u>	<u>3,461,804</u>	<u>27,784</u>	<u>2,857,648</u>
Retakaful certificates				
- Certificates not measured under the PAA	100,055	-	103,035	-
	<u>100,055</u>	<u>-</u>	<u>103,035</u>	<u>-</u>

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

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA

13.1.1.1 Takaful certificates issued

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, 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:

	Note	2024				2023			
		Liabilities for remaining coverage			Liabilities for incurred claims	Liabilities for remaining coverage			Liabilities for incurred claims
		Excluding loss component	Loss component	Total		Excluding loss component	Loss component	Total	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund									
Takaful certificate liabilities as at 1 January		3,299,977	-	188,054	3,488,031	2,711,070	-	157,617	2,868,687
Takaful certificate assets as at 1 January		(74,812)	-	9,831	(64,981)	(53,878)	-	9,524	(44,354)
Net family takaful certificate (assets)/ liabilities as at 1 January		3,225,165	-	197,885	3,423,050	2,657,192	-	167,141	2,824,333
Takaful revenue	3	(770,208)	-	-	(770,208)	(624,248)	-	-	(624,248)
Takaful service expense	4	49,502	-	828,256	877,758	52,269	-	737,913	790,182
Investment components		(188,497)	-	188,497	-	(154,468)	-	154,468	-
Takaful service result		(909,203)	-	1,016,753	107,550	(726,447)	-	892,381	165,934
Takaful finance expenses/(income)		278,621	-	(7,311)	271,310	40,418	-	(3,891)	36,527
Total changes in the statement of profit or loss and OCI		(630,582)	-	1,009,442	378,860	(686,029)	-	888,490	202,461

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, 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)

	Note	2024				2023				
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total	
		Excluding loss component	Loss component			Excluding loss component	Loss component			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<i>Family Takaful fund (continued)</i>										
<i>Cash flows</i>										
Contributions received	a	1,695,192	-	-	1,695,192	1,660,745	-	-	1,660,745	
Qard received/paid		20,495	-	-	20,495	3,177	-	-	3,177	
Claims and other expenses paid including investment components		-	-	(1,110,979)	(1,110,979)	-	-	(857,746)	(857,746)	
Takaful acquisition cash flows paid		(361,069)	-	-	(361,069)	(409,920)	-	-	(409,920)	
Total cash flows		1,354,618	-	(1,110,979)	243,639	1,254,002	-	(857,746)	396,256	
Net takaful certificate (assets)/liabilities as at 31 December		3,949,201	-	96,348	4,045,559	3,225,165	-	197,885	3,423,050	
Takaful certificate liabilities as at 31 December		4,029,182	-	118,964	4,148,146	3,299,977	-	188,054	3,488,031	
Takaful certificate assets as at 31 December		(79,981)	-	(22,616)	(102,597)	(74,812)	-	9,831	(64,981)	
Net takaful certificate (assets)/liabilities as at 31 December		3,949,201	-	96,348	4,045,549	3,225,165	-	197,885	3,423,050	

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below:

		2024					
		Liabilities for remaining coverage		Liabilities for incurred claims			
<u>Company</u>	<u>Note</u>	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Assets for Takaful acquisition cash flows	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful certificate liabilities as at 1 January		2,586,297	6,320	274,423	7,647	(45,622)	2,829,065
Takaful certificate assets as at 1 January		(13,916)	4,499	10,975	663	(30,005)	(27,784)
Net family takaful certificate (assets)/liabilities as at 1 January		2,572,381	10,819	285,398	8,310	(75,627)	2,801,281
Takaful revenue	3	(983,428)	-	-	-	-	(983,428)
Takaful service expense	4	84,200	(633)	663,354	452	-	747,373
Investment components		(184,740)	-	184,740	-	-	-
Takaful service result		(1,083,968)	(633)	848,094	452	-	(236,055)
Takaful finance expenses		353,416	(195)	528	-	-	353,749
Total changes in the statement of profit or loss and OCI		(730,552)	(828)	848,622	452	-	117,694

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, 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)

		2024					
		Liabilities for remaining coverage		Estimates of the present value of future cash flows	Liabilities for incurred claims	Assets for Takaful acquisition cash flows	Total
<u>Company (continued)</u>	<u>Note</u>	Excluding loss component RM'000	Loss component RM'000	RM'000	Risk adjustment RM'000	RM'000	RM'000
<i>Cash flows</i>							
Contributions received	a	1,686,058	-	-	-	-	1,686,058
Claims and other expenses paid including investment components		-	-	(850,632)	-	-	(850,632)
Takaful acquisition cash flows paid		(386,105)	-	-	-	(15,863)	(401,968)
Other amounts received		-	-	1,803	-	-	1,803
Total cash flows		1,299,953	-	(848,829)	-	(15,863)	435,261
Non-cash operating expenses		(3,307)	-	(1,784)	-	-	(5,091)
Allocation to group of takaful certificate		(4,309)	-	-	-	4,309	-
Net takaful certificate (assets)/liabilities as at 31 December		3,134,166	9,991	283,407	8,762	(87,181)	3,349,145
Takaful certificate liabilities as at 31 December		3,158,508	9,991	256,849	6,556	-	3,431,904
Takaful certificate assets as at 31 December		(24,342)	-	26,558	2,206	(87,181)	(82,759)
Net takaful certificate (assets)/liabilities as at 31 December		3,134,166	9,991	283,407	8,762	(87,181)	3,349,145

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, 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)

		2023					
		Liabilities for remaining coverage		Liabilities for incurred claims		Assets for Takaful acquisition cash flows	Total
Company	Note	Excluding loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	RM'000	RM'000
Takaful certificate liabilities as at 1 January		2,147,881	775	212,355	9,489	(37,354)	2,333,146
Takaful certificate assets as at 1 January		(15,043)	1,522	16,878	1,036	(28,025)	(23,632)
Net family takaful certificate (assets)/liabilities as at 1 January		2,132,838	2,297	229,233	10,525	(65,379)	2,309,514
Takaful revenue	3	(864,719)	-	-	-	-	(864,719)
Takaful service expense	4	86,448	7,861	613,852	(2,214)	-	705,947
Investment components		(159,933)	-	159,933	-	-	-
Takaful service result		(938,204)	7,861	773,785	(2,214)	-	(158,772)
Takaful finance expenses		164,349	662	531	-	-	165,542
Total changes in the statement of profit or loss and OCI		(773,855)	8,523	774,316	(2,214)	-	6,770

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, 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)

		2023					
		Liabilities for remaining coverage		Estimates of the present value of future cash flows	Liabilities for incurred claims	Assets for Takaful acquisition cash flows	Total
<u>Company (continued)</u>	<u>Note</u>	Excluding loss component RM'000	Loss component RM'000	RM'000	Risk adjustment RM'000	RM'000	RM'000
<i>Cash flows</i>							
Contributions received	a	1,657,572	-	-	-	-	1,657,572
Claims and other expenses paid including investment components		-	-	(717,926)	-	-	(717,926)
Takaful acquisition cash flows paid		(438,694)	-	-	-	(13,355)	(452,049)
Other amounts received		-	-	1,186	-	-	1,186
Total cash flows		1,218,878	-	(716,740)	-	(13,355)	488,783
Non-cash operating expenses		(2,371)	-	(1,415)	-	-	(3,786)
Allocation to group of takaful certificates		(3,107)	-	-	-	3,107	-
Net takaful certificate (assets)/liabilities as at 31 December		2,572,383	10,820	285,394	8,311	(75,627)	2,801,281
Takaful certificate liabilities as at 31 December		2,586,299	6,321	274,419	7,648	(45,622)	2,829,065
Takaful certificate assets as at 31 December		(13,916)	4,499	10,975	663	(30,005)	(27,784)
Net takaful certificate (assets)/liabilities as at 31 December		2,572,383	10,820	285,394	8,311	(75,627)	2,801,281

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.1 Takaful certificates issued (continued)

Notes:

a. The refunds of contributions have been included in this line.

b. The balance and reconciliations of fulfillment cash flows include obligations to repay Qard advanced by the SHF to the Family Takaful fund. Qard was advanced by the SHF in compliance with the requirements set out in paragraph 19 of the Bank Negara Malaysia (BNM) Takaful Operational Framework (TOF). Consistent with those requirements, the amount does not bear interest. The amount is repayable, and to the extent, the Family Takaful fund has available resources. In accordance with Paragraph 19.4 of the BNM TOF, the SHF has determined a time period during which the Qard shall be repaid and consequently the period beyond which any unpaid Qard will be deemed irrecoverable and the outstanding amount forgiven. The table below reconciles the nominal value of the Qard included in fulfillment cash flows:

<u>Nominal amount</u>	<u>Family Takaful fund</u>	
	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
Opening balance	86,345	65,850
Qard increased during the year	<u>18,047</u>	<u>20,495</u>
Closing balance	<u>104,392</u>	<u>86,345</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.1 Takaful certificates issued (continued)

Notes (continued):

c. The following table illustrates the expected timing of when assets for takaful acquisition cash flows will be de-recognised and included in the measurement of the group of takaful certificates to which they are allocated.

<u>Company</u>	2024 RM'000			Total
	5 Year or Less	5-10 Years	After 10 years	
Expected timing of derecognition of assets balance as at 31 December	17,489	15,068	54,624	87,181

<u>Company</u>	2023 RM'000			Total
	5 Year or Less	5-10 Years	After 10 years	
Expected timing of derecognition of assets balance as at 31 December	14,977	12,963	47,687	75,627

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.2 Retakaful certificates held

The roll-forward of the net asset or liability for retakaful certificates held for certificates not measured under PAA, 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:

	2024				2023			
	Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Family Takaful fund</u>								
Net retakaful certificate assets / (liabilities) as at 1 January	(12,768)	-	31,729	18,961	31,736	-	(25,769)	5,967
Net income or expense from retakaful certificates held	(85,361)	-	63,796	(21,565)	(73,963)	-	74,979	1,016
Net finance income from retakaful certificates	21,565	-	-	21,565	(1,016)	-	-	(1,016)
Total changes in the statement of profit or loss and OCI	(63,796)	-	63,796	-	(74,979)	-	74,979	-
<i>Cash flows</i>								
Contributions paid	61,422	-	-	61,422	30,475	-	-	30,475
Other amounts received	-	-	(54,036)	(54,036)	-	-	(17,481)	(17,481)
Total cash flows	61,422	-	(54,036)	7,386	30,475	-	(17,481)	12,994
Net retakaful certificate assets/ (liabilities) as at 31 December	(15,142)	-	41,489	26,347	(12,768)	-	31,729	18,961

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates not measured under PAA, 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	2024					2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net retakaful certificate assets as at 1 January	6,175	-	96,860	-	103,035	41,482	-	39,305	-	80,787
Net income or expense from retakaful certificates held	(84,514)	-	72,148	-	(12,366)	(68,033)	-	74,663	-	6,630
Net finance income from retakaful certificates	1,625	-	-	-	1,625	2,252	-	-	-	2,252
Total changes in the statement of profit or loss and OCI	(82,889)	-	72,148	-	(10,741)	(65,781)	-	74,663	-	8,882

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

13.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates not measured under PAA, 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):

	2024					2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Company (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Cash flows</i>										
Contributions paid	60,265	-	-	-	60,265	30,474	-	-	-	30,474
Other amounts received	-	-	(52,522)	-	(52,522)	-	-	(17,121)	-	(17,121)
Total cash flows	60,265	-	(52,522)	-	7,743	30,474	-	(17,121)	-	13,353
Other movements	-	-	18	-	18	-	-	13	-	13
Net retakaful certificate assets/ (liabilities) as at 31 December	(16,449)	-	116,504	-	100,055	6,175	-	96,860	-	103,035

Notes:

The Company applies a consistent accounting policy to retakaful certificates held and recognises net takaful finance expense in profit or loss only.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims – Certificates measured under PAA

13.1.2.1 Takaful certificates issued

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, 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:

	Note	2024				2023			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
		Excluding loss component	Loss component			Excluding loss component	Loss component		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund									
Net takaful certificate (asset) / liabilities as at 1 January		(8,551)	-	23,069	14,518	(2,650)	-	22,702	20,052
Takaful revenue	3	(101,064)	-	-	(101,064)	(90,699)	-	-	(90,699)
Takaful service expense	4	13,460	-	94,439	107,899	19,864	-	83,376	103,240
Takaful service result		(87,604)	-	94,439	6,835	(70,835)	-	83,376	12,541
Takaful finance income		(6,835)	-	-	(6,835)	(12,541)	-	-	(12,541)
Total changes in the statement of profit or loss and OCI		(94,439)	-	94,439	-	(83,376)	-	83,376	-
<i>Cash flows</i>									
Contributions received		100,402	-	-	100,402	98,174	-	-	98,174
Claims and other expenses paid including investment components		-	-	(95,744)	(95,744)	-	-	(83,009)	(83,009)
Acquisition cash flows paid		(11,451)	-	-	(11,451)	(20,699)	-	-	(20,699)
Total cash flows		88,951	-	(95,744)	(6,793)	77,475	-	(83,009)	(5,534)
Net takaful certificate (assets)/ liabilities as at 31 December		(14,039)	-	21,764	7,725	(8,551)	-	23,069	14,518

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims – Certificates measured under PAA (continued)

13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, 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)

	Note	2024				2023			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
		Excluding loss component	Loss component			Excluding loss component	Loss component		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund (continued)									
Takaful certificate liabilities as at 31 December		14,984	-	-	14,984	14,864	-	-	14,864
Takaful certificate assets as at 31 December		(29,023)	-	21,764	(7,259)	(23,415)	-	23,069	(346)
Net takaful certificate (assets)/liabilities as at 31 December		(14,039)	-	21,764	7,725	(8,551)	-	23,069	14,518

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims – Certificates measured under PAA (continued)

13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below:

Company	Note	2024				Total RM'000
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	
Net takaful certificate liabilities as at 1 January		13,619	-	14,369	595	28,583
Takaful revenue	3	(100,799)	-	-	-	(100,799)
Takaful service expense	4	11,442	-	83,134	(27)	94,549
Takaful service result		(89,357)	-	83,134	(27)	(6,250)
Total changes in the statement of profit or loss and OCI		(89,357)	-	83,134	(27)	(6,250)
<i>Cash flows</i>						
Contributions received		101,951	-	-	-	101,951
Claims and other expenses paid including investment components		-	-	(82,979)	-	(82,979)
Takaful acquisition cash flows paid		(11,009)	-	-	-	(11,009)
Total cash flows		90,942	-	(82,979)	-	7,963
Other movements		(243)	-	(153)	-	(396)
Net takaful certificate liabilities as at 31 December		14,961	-	14,371	568	29,900

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims – Certificates measured under PAA (continued)

13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, 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)

		2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company (continued)</u>						
	<u>Note</u>					
Net takaful certificate liabilities as at 1 January		10,770	-	18,658	467	29,895
Takaful revenue	3	(93,702)	-	-	-	(93,702)
Takaful service expense	4	10,962	-	77,090	128	88,180
Takaful service result		(82,740)	-	77,090	128	(5,522)
Total changes in the statement of profit or loss and OCI		(82,740)	-	77,090	128	(5,522)
<i>Cash flows</i>						
Contributions received		98,100	-	-	-	98,100
Claims and other expenses paid including investment components		-	-	(81,270)	-	(81,270)
Takaful acquisition cash flows paid		(12,320)	-	-	-	(12,320)
Total cash flows		85,780	-	(81,270)	-	4,510
Other movements		(191)	-	(109)	-	(300)
Net takaful certificate liabilities as at 31 December		13,619	-	14,369	595	28,583

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

13.1.2.2 Retakaful certificates held

The roll-forward of the net asset or liability for retakaful certificates held for certificates measured under PAA, 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:

	Note	2024				2023			
		Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
		Excluding loss component	Loss component			Excluding loss component	Loss component		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund									
Net retakaful certificate assets as at 1 January		133	-	-	133	133	-	-	133
Net income or expense from retakaful certificates held		(315)	-	-	(315)	-	-	-	-
Retakaful finance income		315	-	-	315	-	-	-	-
Total changes in the statement of profit or loss and OCI		133	-	-	133	-	-	-	-
<i>Cash flows</i>									
Contributions paid		314	-	-	314	-	-	-	-
Total cash flows		314	-	-	314	-	-	-	-
Other movements		-	-	-	-	-	-	-	-
Net retakaful certificate assets as at 31 December		447	-	-	447	133	-	-	133

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

13.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates measured under PAA, 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	2024				2023			
		Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
		Excluding loss component	Loss component			Excluding loss component	Loss component		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net retakaful certificate assets as at 1 January		-	-	-	-	-	-	-	-
Net income or expense from retakaful certificates held		(315)	-	(1)	(316)	-	-	-	-
Total changes in the statement of profit or loss and OCI		(315)	-	(1)	(316)	-	-	-	-
<i>Cash flows</i>									
Contributions paid		315	-	-	315	-	-	-	-
Total cash flows		315	-	-	315	-	-	-	-
Other movements		-	-	1	1	-	-	-	-
Net retakaful certificate assets as at 31 December		-	-	-	-	-	-	-	-

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA

13.1.3.1 Takaful certificates issued

	2024			2023		
	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
<u>Family Takaful fund</u>						
Takaful certificate liabilities as at 1 January	3,488,031	-	3,488,031	2,868,688	-	2,868,688
Takaful certificate assets as at 1 January	(64,981)	-	(64,981)	(44,354)	-	(44,354)
Net family takaful certificate (assets)/liabilities as at 1 January	3,423,050	-	3,423,050	2,824,334	-	2,824,334
<u>Changes that relate to current services</u>						
Experience adjustments	174,165	-	174,165	188,848	-	188,848
<u>Changes that relate to past services</u>						
Adjustments to liabilities for incurred claims	(66,615)	-	(66,615)	(22,914)	-	(22,914)
Takaful service result	107,550	-	107,550	165,934	-	165,934
Takaful finance expenses/(income)	271,310	-	271,310	36,526	-	36,526
Total changes in the statement of profit or loss and OCI	378,860	-	378,860	202,460	-	202,460
<u>Cash flow</u>						
Contributions received	1,695,192	-	1,695,192	1,660,745	-	1,660,745
Qard received/paid	20,495	-	20,495	3,177	-	3,177
Claims and other expenses paid including investment components	(1,110,980)	-	(1,110,980)	(857,746)	-	(857,746)
Acquisition cash flows paid	(361,068)	-	(361,068)	(409,920)	-	(409,920)
Total cash flows	243,639	-	243,639	396,256	-	396,256
Net takaful certificate liabilities as at 31 December	4,045,549	-	4,045,549	3,423,050	-	3,423,050
Takaful certificate liabilities as at 31 December	4,148,146	-	4,148,146	3,488,031	-	3,488,031
Takaful certificate assets as at 31 December	(102,597)	-	(102,597)	(64,981)	-	(64,981)
Net takaful certificate liabilities as at 31 December	4,045,549	-	4,045,549	3,423,050	-	3,423,050

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.1 Takaful certificates issued (continued)

Company	2024				2023			
	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total	Estimates of present value of future cash flows	Risk adjustment	Contractual Services 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	1,541,032	105,266	1,182,767	2,829,065	1,341,483	102,738	888,925	2,333,146
Takaful certificate assets as at 1 January	(38,391)	1,174	9,433	(27,784)	(33,058)	1,486	7,940	(23,632)
Net family takaful certificate (assets)/liabilities as at 1 January	1,502,641	106,440	1,192,200	2,801,281	1,308,425	104,224	896,865	2,309,514
<u>Changes that relate to current services</u>								
Contractual service margin recognised for services provided	-	-	(233,513)	(233,513)	-	-	(194,432)	(194,432)
Risk adjustment for the risk expired	-	(2,607)	-	(2,607)	-	(1,700)	-	(1,700)
Experience adjustments	82,215	-	--	82,215	66,324	-	-	66,324
Revenue recognised for incurred certificate holder tax expenses	(6,174)	-	-	(6,174)	(9,550)	-	-	(9,550)
<u>Changes that relate to future services</u>								
Certificates initially recognised in the period	(353,406)	17,094	336,476	164	(312,035)	22,066	340,397	50,428
Changes in estimates that adjust the CSM	(71,500)	(26,472)	97,972	0	(136,461)	(10,576)	147,038	1
Changes in estimates that result in losses and reversal of losses on onerous certificates	(880)	955	-	75	(39,656)	1,114	-	(38,542)
<u>Changes that relate to past services</u>								
Adjustments to liabilities for incurred claims	(69,473)	(6,742)	-	(76,215)	(22,613)	(8,688)	-	(31,301)
Takaful service result	(419,218)	(17,772)	200,935	(236,055)	(453,991)	2,216	293,003	(158,772)
Takaful finance expenses	349,973	-	3,776	353,749	163,210	-	2,332	165,542
Total changes in the statement of profit or loss and OCI	(69,245)	(17,772)	204,711	117,694	(290,781)	2,216	295,335	6,770

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.1 Takaful certificates issued (continued)

Company (continued)	2024				2023			
	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Cash flow</i>								
Contributions received	1,686,058	-	-	1,686,058	1,657,572	-	-	1,657,572
Claims and other expenses paid including investment components	(850,632)	-	-	(850,632)	(717,926)	-	-	(717,926)
Acquisition cash flows paid	(401,968)	-	-	(401,968)	(452,049)	-	-	(452,049)
Other amounts received	1,803	-	-	1,803	1,186	-	-	1,186
Total cash flows	435,261	-	-	435,261	488,783	-	-	488,783
Non Cash Operating Expenses	(5,091)	-	-	(5,091)	(3,786)	-	-	(3,786)
Net takaful certificate liabilities as at 31 December	1,863,566	88,668	1,396,911	3,349,145	1,502,641	106,440	1,192,200	2,801,281
Takaful certificate assets as at 31 December	(137,605)	2,913	51,933	(82,759)	(38,391)	1,174	9,433	(27,784)
Takaful certificate liabilities as at 31 December	2,001,171	85,755	1,344,978	3,431,904	1,541,032	105,266	1,182,767	2,829,065
Net takaful certificate liabilities as at 31 December	1,863,566	88,668	1,396,911	3,349,145	1,502,641	106,440	1,192,200	2,801,281

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.2 Retakaful certificates held

	2024			2023		
	Estimates of present value of future cash flows	Risk adjustment	Total	Estimates of present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund</u>						
Net retakaful certificate assets as at 1 January	18,961	-	18,961	5,968	-	5,968
<u>Changes that relate to current services</u>						
Experience adjustments	(27,472)	-	(27,472)	(7,911)	-	(7,911)
<u>Changes that relate to past services</u>						
Adjustments to liabilities for incurred claims	5,908	-	5,908	8,927	-	8,927
Takaful service result	(21,564)	-	(21,564)	1,016	-	1,016
Retakaful finance income/(expense)	21,564	-	21,564	(1,016)	-	(1,016)
Total changes in the statement of profit or loss and OCI	-	-	-	-	-	-
<u>Cash flow</u>						
Contributions paid	61,422	-	61,422	30,474	-	30,474
Cash flow received during the period (claim and expenses recovery from retakaful operator)	(54,036)	-	(54,036)	(17,481)	-	(17,481)
Total cash flows	7,386	-	7,386	12,993	-	12,993
Net retakaful certificate assets as at 31 December	26,347	-	26,347	18,961	-	18,961

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.2 Retakaful certificates held (continued)

Company	2024				2023			
	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Services Margin RM'000	Total RM'000	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Services Margin RM'000	Total RM'000
Net retakaful certificate assets/(liabilities) as at 1 January	238,310	-	(135,275)	103,035	151,226	-	(70,439)	80,787
<u>Changes that relate to current services</u>								
Contractual service margin recognised for services provided	-	-	9,681	9,681	-	-	6,144	6,144
Experience adjustments	(27,955)	-	-	(27,955)	(8,442)	-	-	(8,442)
<u>Changes that relate to future services</u>								
Changes in estimates that adjust the CSM	34,252	-	(34,252)	-	67,733	-	(67,733)	-
<u>Changes that relate to past services</u>								
Adjustments to liabilities for incurred claims	5,908	-	-	5,908	8,927	-	-	8,927
Takaful service result	12,205	-	(24,571)	(12,366)	68,218	-	(61,589)	6,629
Retakaful finance income/(expenses)	6,625	-	(5,001)	1,624	5,499	-	(3,247)	2,252
Total changes in the statement of profit or loss and OCI	18,830	-	(29,572)	(10,742)	73,717	-	(64,836)	8,881
<u>Cash flow</u>								
Contributions paid	60,265	-	-	60,265	30,474	-	-	30,474
Cash flow received during the period (claim and expenses recovery from retakaful operator)	(52,521)	-	-	(52,521)	(17,119)	-	-	(17,119)
Other amounts received	18	-	-	18	12	-	-	12
Total cash flows	7,762	-	-	7,762	13,367	-	-	13,367
Net retakaful certificate assets/(liabilities) as at 31 December	264,902	-	(164,847)	100,055	238,310	-	(135,275)	103,035

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.4 The components of new business

13.1.4.1 Takaful certificates issued

	2024					2023				
	Certificates issued		Certificates acquired		Total	Certificates issued		Certificates acquired		Total
	Non- onerous	Onerous	Non- onerous	Onerous		Non- onerous	Onerous	Non- onerous	Onerous	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Family Takaful Fund</u>										
Family takaful certificate liabilities										
Estimate of present value of future cash outflows, excluding takaful acquisition cash flows	1,356,218	6,892	-	-	1,363,110	1,684,253	84,543	-	-	1,768,796
Estimates of takaful acquisition cash flows	532,152	1,294	-	-	533,446	532,384	40,277	-	-	572,661
Estimates of present value of future cash outflows	1,888,370	8,186	-	-	1,896,556	2,216,637	124,820	-	-	2,341,457
Estimates of present value of future cash inflows	(1,888,370)	(8,186)	-	-	(1,896,566)	(2,216,637)	(124,820)	-	-	(2,341,457)
Amount included in takaful certificate liabilities for the period	-	-	-	-	-	-	-	-	-	-
<u>Company</u>										
Family takaful certificate liabilities										
Estimate of present value of future cash outflows, excluding takaful acquisition cash flows	1,032,101	4,858	-	-	1,036,959	1,374,284	148,696	-	-	1,522,980
Estimates of takaful acquisition cash flows	320,696	1,243	-	-	321,939	417,928	24,045	-	-	441,973
Estimates of present value of future cash outflows	1,352,797	6,101	-	-	1,358,898	1,792,212	172,741	-	-	1,964,953
Estimates of present value of future cash inflows	(1,706,288)	(6,017)	-	-	(1,712,305)	(2,152,883)	(124,104)	-	-	(2,276,987)
Risk adjustment	17,015	80	-	-	17,095	20,274	1,791	-	-	22,065
Contractual service margin	336,476	-	-	-	336,476	340,397	-	-	-	340,397
Amount included in takaful certificate liabilities for the period	-	164	-	-	164	-	50,428	-	-	50,428

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.5 CSM recognition in profit or loss

The disclosure of when the CSM is expected to be in income in future years is presented below:

	2024 RM'000						2023 RM'000					
	5 Year or Less	5-10 Years	10-15 Years	15 – 20 Years	20 Years	Total	5 Year or Less	5-10 Years	10-15 Years	15 – 20 Years	20 Years	Total
Family takaful certificates issued	693,125	362,737	186,794	89,388	64,867	1,396,911	587,487	306,266	164,011	78,544	55,891	1,192,199
Family retakaful certificates held	(18,346)	(33,922)	(31,799)	(30,226)	(50,553)	(164,846)	(25,367)	(24,027)	(23,621)	(22,755)	(39,505)	(135,275)

14 OTHER RECEIVABLES

Receivables of the Company are classified as financing and receivables and are as follows:

	2024		2023	
	Family Takaful fund	Company	Family Takaful fund	Company
Other receivables and deposits	276	1,703	691	2,561
Accrued profit on investment	25,778	31,936	24,925	29,792
	<u>26,054</u>	<u>33,639</u>	<u>25,616</u>	<u>32,353</u>

Other receivables are generally expected to be settled within 12 months after the end of the reporting period.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

15 DEFERRED TAX ASSETS/(LIABILITIES)

	2024		2023	
	Family Takaful fund	Company	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	(19,983)	(231,261)	(4,201)	(193,743)

	Amortisation	Capital allowance	Unrealised (gain)/loss	Expense liability	Unallocated surplus	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>						
Deferred tax assets/(liabilities) at 1 January 2023	1,142	12	5,308	(25,578)	(136,643)	(155,759)
Recognised in:						
Income statements	38	(340)	(6,873)	326	(27,559)	(34,408)
Other comprehensive income	-	-	(3,576)	-	-	(3,576)
Deferred tax assets/(liabilities) at 1 January 2024	1,180	(328)	(5,141)	(25,252)	(164,202)	(193,743)
Recognised in:						
Income statements	366	(888)	(16,094)	280	(21,052)	(37,388)
Other comprehensive income	-	-	(130)	-	-	(130)
Deferred tax assets/(liabilities) at 31 December 2024	1,546	(1,216)	(21,365)	(24,972)	(185,254)	(231,261)

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Amortisation	Capital allowance	Unrealised (gain)/loss	Expense liability	Unallocated surplus	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund</u>						
Deferred tax assets at 1 January 2023	564	-	3,581	-	-	4,145
Recognised in:						
Income statements	38	-	(8,027)	-	-	(7,989)
Other comprehensive income	-	-	(357)	-	-	(357)
Deferred tax assets/(liabilities) at 1 January 2024	602	-	(4,803)	-	-	(4,201)
Recognised in:						
Income statements	205	-	(15,988)	-	-	(15,783)
Other comprehensive income	-	-	1	-	-	1
Deferred tax assets/(liabilities) at 31 December 2024	807	-	(20,790)	-	-	(19,983)
	2024		2023			
	Family Takaful Fund	Company	Family Takaful Fund	Company		
	RM'000	RM'000	RM'000	RM'000		
Current	7,868	7,392	1,650	1,263		
Non current	12,115	223,869	2,551	192,480		
	19,983	231,261	4,201	193,743		

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

16 OTHER PAYABLES

	2024		2023	
	FamilyTakaful fund	Company	FamilyTakaful fund	Company
	RM'000	RM'000	RM'000	RM'000
Sundry payables	9,609	19,622	3,988	14,088
Due to shareholders' fund	133,191	-	116,182	-
Due to related company	98	14,575	62	14,037
Takaful certificates payables	10,630	10,630	9,333	9,333
	<u>153,528</u>	<u>44,827</u>	<u>129,565</u>	<u>37,458</u>

Other payables are generally expected to be settled within 12 months after the end of the reporting period.

17 SHARE CAPITAL

	2024		2023	
	<u>shares</u> (<u>'000</u>)	<u>Amount</u> <u>RM'000</u>	<u>shares</u> (<u>'000</u>)	<u>Amount</u> <u>RM'000</u>
<u>Issued and paid-up:</u>				
Ordinary shares at the beginning / end of financial year	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>

18 PROFIT PER SHARE

	2024 RM'000	2023 RM'000
Profit after taxation attributable to the Company	189,234	155,012
Weighted average number of shares in issue during the financial year	450,000	450,000
Basic profit per share (sen)	<u>42.05</u>	<u>34.45</u>

19 REGULATORY CAPITAL REQUIREMENTS

Under Risk-Based Capital Framework for Insurers and Takaful Operators ("RBCT Framework") issued by BNM, takaful companies need to maintain a capital adequacy level that commensurate with their risk profiles. All takaful companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirement.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

19 REGULATORY CAPITAL REQUIREMENTS (CONTINUED)

The total capital available of the Company as at 31 December 2024 and 2023, as prescribed under the RBCT Framework is provided below:

Shareholders' fund (continued)

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	450,000	450,000
Retained earnings	212,161	71,855
Valuation surplus maintained in the Family Takaful funds	321,693	335,565
	<u>983,854</u>	<u>857,420</u>
<u>Tier 2 Capital</u>		
General reserves	(33,333)	(33,333)
Available for sale reserves	5,114	4,665
Qard	104,392	86,345
	<u>76,173</u>	<u>57,677</u>
Amount deducted from capital in accordance with paragraph 9.9 of RBCT Framework	(21,100)	(21,257)
Total Capital Available	<u>1,039,085</u>	<u>894,222</u>

These are based on statistical returns for financial year 2024 and 2023, including the estimation of takaful contract liabilities based on the valuation methods specified in Part B of the RBCT Framework in accordance with the provisions of the IFSA 2013 and the accounting policies prescribed in the notes to the statistical returns.

20 REMUNERATIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

(i) The details of remuneration receivable by non-executive directors during the financial year are as follows:

	<u>Fixed</u> <u>Remuneration</u> RM'000	<u>Variable</u> <u>Remuneration</u> RM'000	<u>Total</u> <u>Remuneration</u> RM'000
<u>2024</u>			
Datuk Husni Zai bin Yaacob	142	46	188
Datin Dr. Rusnah binti Muhamad	130	58	188
Mahani binti Amat	160	46	206
Chong Kin Leong	142	46	188
Dato' Seri Mohamed Hassan Kamil	142	44	186
	<u>716</u>	<u>240</u>	<u>956</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

20 REMUNERATIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

	<u>Fixed Remuneration</u> RM'000	<u>Variable Remuneration</u> RM'000	<u>Total Remuneration</u> RM'000
<u>2023</u>			
Datuk Husni Zai bin Yaacob	139	46	185
Datin Dr. Rusnah binti Muhamad	135	52	187
Mahani binti Amat	149	40	189
Chong Kin Leong	148	42	190
Dato' Seri Mohamed Hassan Kamil	98	31	129
	<u>669</u>	<u>211</u>	<u>880</u>

(ii) The number of Directors whose total remuneration during the financial year fall within the following band is analysed below:

	<u>2024</u> RM'000	<u>2023</u> RM'000
<u>Number of Directors</u>		
Non-executive directors		
RM0	2	2
RM1 - RM20,000	-	-
RM20,001 - RM100,000	-	-
RM100,001 - RM200,000	4	5
RM200,001- RM300,000	1	-
	<u>7</u>	<u>7</u>

(iii) Shariah Committee remunerations:

	<u>Fixed Remuneration</u> RM'000	<u>Variable Remuneration</u> RM'000	<u>Total Remuneration</u> RM'000
<u>2024</u>			
Ir. Dr. Muhamad Fuad Abdullah	48	10	58
YM Engku Ahmad Fadzil Engku Ali	42	10	52
Khairil Anuar Mohd Noor	42	10	52
Shabnam Mohamad Mokhtar	42	10	52
Prof Dr Muhamad Rahimi Osman	42	12	54
	<u>216</u>	<u>52</u>	<u>268</u>
<u>2023</u>			
Dr. Ab Mumin Ab Ghani	11	3	14
Ir. Dr. Muhamad Fuad Abdullah	41	17	58
YM Engku Ahmad Fadzil Engku Ali	36	17	53
Khairil Anuar Mohd Noor	36	17	53
Shabnam Mohamad Mokhtar	36	17	53
Prof Dr Muhamad Rahimi Osman	23	13	36
	<u>183</u>	<u>84</u>	<u>267</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

20 REMUNERATIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

(iv) Compensation of key management personnel

Members of key management personnel comprise those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Compensation of key management personnel during the financial year are as follows:

	<u>2024</u> RM'000	<u>2023</u> RM'000
Short-term employee benefits	4,639	4,959
Post-employment benefits		
- Defined contribution plan	714	758
Share-based payments	92	81
Allowances	<u>1,137</u>	<u>1,020</u>
	<u>6,582</u>	<u>6,818</u>

Included in the compensation of key management personnel are:

Chief Executive Officer's Remuneration:

	<u>2024</u> RM'000	<u>2023</u> RM'000
Short-term employee benefits	1,493	1,606
Post-employment benefits		
- Defined contribution plan	237	257
Allowances	<u>88</u>	<u>54</u>
	<u>1,818</u>	<u>1,917</u>

21 RELATED PARTY DISCLOSURES

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.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, and certain members of senior management of the Company.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

21 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with immediate holding company and other related parties during and at the end of the financial year:

	Family Takaful fund RM'000	Company RM'000
Significant transactions with related parties during the financial year:		
Expenses/(Income):		
<u>2024</u>		
Malaysia:		
Immediate holding company:		
<u>AIA Bhd.</u>		
Management fees	5,114	87,739
Rental of office premises	-	806
IT system development charges	-	1,356
Software intangible asset	-	5,250
TDA charges	-	8,725
Fellow related companies:		
<u>AIA Health Services Sdn Bhd</u>		
Management fees	-	4,500
IT related services	-	3,440
<u>AIA Shared Services Sdn Bhd</u>		
Management fees	49	305
Corporate shareholder:		
<u>Public Islamic Bank Berhad</u>		
Fee and commission expenses	-	22,488
Profit from placement of funds	(1,982)	(2,242)

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

21 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances (continued)

	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
Significant transactions with related parties during the financial year:		
Expenses/(Income) (continued):		
<u>2023</u>		
Malaysia:		
Immediate holding company:		
<u>AIA Bhd.</u>		
Management fees	4,416	74,916
Rental of office premises	-	813
IT system development charges	-	867
Software intangible asset	-	2,608
TDA charges	-	7,155
Fellow related companies:		
<u>AIA Health Services Sdn Bhd</u>		
Management fees	-	4,918
<u>AIA Shared Services Sdn Bhd</u>		
Management fees	42	243
<u>Public Mutual Berhad</u>		
Fee and commission expenses	-	15
Corporate shareholder:		
<u>Public Islamic Bank Berhad</u>		
Fee and commission expenses	-	25,878
Profit from placement of funds	(2,537)	(2,710)

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

21 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances (continued)

	Family Takaful fund <u>RM'000</u>	<u>Company</u> RM'000
Balances with related parties at financial year end:		
Receivables/(Payables):		
<u>2024</u>		
Malaysia:		
Corporate shareholder:		
<u>Public Islamic Bank Berhad</u>		
Cash and bank balances	33,722	43,254
Islamic investment accounts	86,440	104,990
Immediate holding company:		
<u>AIA Bhd.</u>		
Amount due to an immediate holding company	-	(13,507)
Fellow related companies:		
<u>AIA Health Services Sdn Bhd</u>		
Amount due to a related company	(98)	(1,042)
<u>AIA Shared Services Sdn Bhd</u>		
Amount due to a related company	-	(26)
	<u>(98)</u>	<u>(14,575)</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

21 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions and balances (continued)

	Family Takaful fund RM'000	Company RM'000
Balances with related parties at financial year end:		
Receivables/(Payables) (continued):		
<u>2023</u>		
Malaysia:		
Corporate shareholder:		
<u>Public Islamic Bank Berhad</u>		
Cash and bank balances	35,691	46,023
Islamic investment accounts	17,810	32,170
Immediate holding company:		
<u>AIA Bhd.</u>		
Amount due to an immediate holding company	-	(13,097)
Fellow related companies:		
<u>AIA Health Services Sdn Bhd</u>		
Amount due to a related company	(62)	(490)
<u>AIA Shared Services Sdn Bhd</u>		
Amount due to a related company	-	(23)
	<u>(62)</u>	<u>(13,610)</u>
Hong Kong:		
Fellow related companies:		
<u>AIA Company Limited</u>		
Technical consultation services	-	(427)

22 CAPITAL COMMITMENTS

The capital commitments of the Company as at the end of the financial year are as follows:

	2024 RM'000	2023 RM'000
Approved and contracted for:		
Intangible assets	569	-
Property, plant and equipment	-	99
	<u>569</u>	<u>99</u>

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

23 RISK MANAGEMENT FRAMEWORK

23.1 Risk management framework

The Company's Risk Management Framework consists of the following five components – Risk Governance, Risk Culture, Risk Strategy and Appetite, Risk Management Process and Risk Reporting, Systems and Tools. For more information on the Company's Risk Management Framework, please refer to the Section (E) of the Directors' Report on Internal Control Framework.

23.2 Capital management framework

The Company actively manages its capital adequacy by taking into account the potential impact of business strategies on the Company's risk profile and overall resilience. This is in line with BNM Policy Document on Internal Capital Adequacy Assessment Process ("ICAAP") for Takaful Operators and the RBCT Framework.

Under the RBCT Framework, the Company has to maintain a capital adequacy level that commensurate with its risk profiles at all times. The Capital Adequacy Ratio of the Company remained well above the minimum capital requirement of 130% under the RBCT Framework, regulated by BNM.

The ICAAP is the overall process (including oversight and operational frameworks and processes) by which the Company ensures adequate capital to meet its capital requirements on an ongoing basis. The key elements of ICAAP includes Board and senior management oversight; comprehensive risk assessment; individual target capital level and stress testing; sound capital management and ongoing monitoring, reporting and review of the ICAAP.

A capital management plan has been established which list the thresholds that act as triggers for actions to ensure maintenance of appropriate capital levels at all times as well as the corresponding corrective actions that are required for different scenarios and at each specified threshold. Results of stress tests shall be considered when evaluating the appropriateness of capital thresholds and corrective actions with consideration of the particular stage of the business cycle in which the Company is operating, given the potential changes in the external environment that could affect the risk profile.

The Company sets an Individual Target Capital Level ("ITCL") that reflects the overall risk tolerance and risk appetite set by the Board, its own risk profile and risk management practices. The Company shall operate at capital levels above ITCL in line with the approved risk appetite policy. The ITCL provides a robust threshold in the management of capital adequacy, where a breach of this level would trigger timely responses by management to restore capital to above the ITCL and heighten the Board scrutiny based on the Capital Management Plan.

The planning and assessment of capital and ITCL will be formally conducted by senior management at least annually or as and when the need arises. The result will be reported to the Board and/or the Board RMC.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

23 RISK MANAGEMENT FRAMEWORK (CONTINUED)

23.3 Governance and regulatory framework

The Company's risk governance framework is built on the "three lines of defence" model. With regard to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risks between the Senior Management, Compliance and Enterprise Risk Management, and Internal Audit functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.

The Company is required to comply with the requirements of the relevant regulations, laws and guidelines including those from BNM and the Malaysian Takaful Association ("MTA").

The Company has complied with the capital requirements prescribed by BNM during the reported financial year.

24 TAKAFUL RISKS

Takaful risk is the risk arising from changes in claims experience, business expenses, and the acquisition and persistency of takaful business. This also includes changes to assumption regarding future experience for these risks.

Lapse

Lapse risk is the risk that certificate lapse, on average, differently to that assumed in the pricing or reserving assumptions.

Ensuring customers buy products that meet their needs is central to the Company's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Company seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service constantly meet our customers' needs.

The Company carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management.

Expense

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Daily operations follow a disciplined budgeting and control process that allows for the management of expenses.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

24 TAKAFUL RISKS (CONTINUED)

Morbidity and Mortality

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical/death claims are higher than the assumptions made in pricing and/or reserving.

The Company adheres to well-defined underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers/retakaful operators.

The Company conducts regular experience studies of all the takaful risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and retakaful needs.

Retakaful is used to reduce concentration and volatility risk, especially with large certificate or new risks, and as protection against catastrophic events such as pandemic or natural disasters.

The takaful risk of family takaful certificates consists of mortality/longevity and calamity risks. Mortality/longevity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as under-estimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

Sensitivity analysis on takaful risk

The table below sets out the sensitivity analysis in respect of takaful certificates and retakaful certificates held to key variables affecting takaful risk exposures. This analysis assumes that all other variables remain constant. Information below presents the sensitivities both before and after risk mitigation by retakaful, and illustrates the estimated impact on profits and equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as below:

- The effects on profit or loss are changes in fulfilment cash flows relating to loss components or that recognised as takaful finance income or expenses in profit or loss.
- The effects on equity are the effects on profit and loss and other comprehensive income arising from changes in fulfilment cash flows relating to loss components and takaful finance income or expenses.

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

24 TAKAFUL RISKS (CONTINUED)

Sensitivity analysis on takaful risk (continued)

Sensitivity analysis before risk mitigation by retakaful

Company	Impact on profit before tax RM'000	Impact on total equity (before the effects of taxation) RM'000	Impact on CSM RM'000	Total increase/(decrease) in Takaful Contract liabilities RM'000
<u>2024</u>				
10% increase in attributable expenses	(1,584)	(1,584)	(21,305)	22,889
10% decrease in attributable expenses	1,584	1,584	21,305	(22,889)
10% increase in mortality/morbidity rates	(22,198)	(22,198)	(298,509)	320,707
10% decrease in mortality/morbidity rates	22,293	22,293	299,790	(322,083)
10% increase in lapse/discontinuance rates	(607)	(607)	(50,314)	50,921
10% decrease in lapse/discontinuance rates	1,331	1,331	53,787	(55,118)
<u>2023</u>				
10% increase in attributable expenses	(1,942)	(1,929)	(29,463)	31,405
10% decrease in attributable expenses	2,850	2,836	22,554	(25,404)
10% increase in mortality/morbidity rates	(29,261)	(29,096)	(294,654)	323,915
10% decrease in mortality/morbidity rates	28,524	28,354	290,746	(319,270)
10% increase in lapse/discontinuance rates	(994)	(997)	(58,237)	59,231
10% decrease in lapse/discontinuance rates	1,942	1,946	56,199	(58,141)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

24 TAKAFUL RISKS (CONTINUED)

Sensitivity analysis on takaful risk (continued)

Sensitivity analysis after risk mitigation by retakaful

Company	Impact on profit before tax RM'000	Impact on total equity (before the effects of taxation) RM'000	Impact on CSM RM'000	Total increase/(decreas e) in Takaful Contract liabilities RM'000
<u>2024</u>				
10% increase in attributable expenses	(1,584)	(1,584)	(21,305)	22,889
10% decrease in attributable expenses	1,584	1,584	21,305	(22,889)
10% increase in mortality/morbidity rates	(22,198)	(22,198)	(298,509)	320,707
10% decrease in mortality/morbidity rates	22,293	22,293	299,790	(322,083)
10% increase in lapse/discontinuance rates	(607)	(607)	(50,314)	50,921
10% decrease in lapse/discontinuance rates	1,331	1,331	53,787	(55,118)
<u>2023</u>				
10% increase in attributable expenses	(1,942)	(1,929)	(29,463)	31,405
10% decrease in attributable expenses	2,850	2,836	22,554	(25,404)
10% increase in mortality/morbidity rates	(29,261)	(29,096)	(294,654)	323,915
10% decrease in mortality/morbidity rates	28,524	28,354	290,746	(319,270)
10% increase in lapse/discontinuance rates	(994)	(997)	(58,237)	59,231
10% decrease in lapse/discontinuance rates	1,942	1,946	56,199	(58,141)

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS

Financial risk is the risk of adverse market movements, as well as indirect exposure through default of a counterparty. Financial risk also includes the risk arising from changes in price, or volatility, of assets relative to the value of the liabilities. This includes the sensitivity of the balance sheet to market movements, such as foreign exchange and profit rates, as well as the ability to meet financial obligations, such as claims and dividends, when due.

Financial risk in respect of investment-linked investments is generally wholly borne by the certificate holders, and do not directly affect the profit before tax. Furthermore, investment-linked certificate holders are responsible for allocation of their certificate values amongst investment options offered by the Company. Although profit before tax is not affected by investment-linked investments, the investment return from such financial investments is included in the Company's income statements, as the Company has selected the fair value option for all investment-linked investments with corresponding change in takaful certificate liabilities for investment-linked certificates.

Credit risk

Credit risk is the risk that third parties fail to meet their obligations to the Company when they fall due. Although the primary source of credit risk is the Company's investment portfolio, such risk can also arise through retakaful and treasury activities.

A key to AIA's credit risk management is adherence to a well-controlled underwriting process especially for its significant credit risk exposure. The Company's credit risk management starts with the assignment of an internal rating to key counterparties. Detailed analysis of key counterparties is performed and a rating determined internally, with periodic rating reviews conducted. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

The Company monitors concentrations of credit arising from investment in debt securities by type, nature and rating. The Company does not have excessive credit risk with any single retakaful.

The following table sets out information about the credit quality of retakaful certificate assets and financial assets. It provides information on the credit risk exposure of the Family Takaful Fund and the Company by classifying assets according to Rating Agency of Malaysia and Malaysian Rating Corporation Berhad and other equivalent rating agencies. AAA is the highest possible rating.

Retakaful certificate assets

	Family Takaful fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
AA	1,315	747	10,685	11,633
A	19,019	13,729	64,709	64,537
BBB	6,460	4,618	24,662	26,865
Total	26,794	19,094	100,056	103,035

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Financial assets measured at fair value through profit or loss

<u>Family Takaful Fund/ Company</u>	<u>Certificate holder</u> RM'000	<u>Unit-linked</u> RM'000	<u>Total</u> RM'000
<u>2024</u>			
<u>Government sukuk</u>			
Not rated	516,450	67,645	584,095
Subtotal	516,450	67,645	584,095
<u>Corporate sukuk</u>			
AAA	907,030	99,892	1,006,922
AA	260,936	49,434	310,370
A	-	31,750	31,750
Not rated	472,170	25,742	497,912
Subtotal	1,640,136	206,818	1,846,954
Total	2,156,586	274,463	2,431,049
<u>2023</u>			
<u>Government sukuk</u>			
Not rated	392,767	53,228	445,995
Subtotal	392,767	53,228	445,995
<u>Corporate sukuk</u>			
AAA	723,272	85,515	808,787
AA	224,961	62,901	287,862
A	-	14,533	14,533
Not rated	556,560	12,643	569,203
Subtotal	1,504,793	175,592	1,680,385
Total	1,897,560	228,820	2,126,380

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Financial assets measured at fair value through other comprehensive income

<u>Family Takaful Fund</u>	12-month ECL RM'000	Lifetime ECL not credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total RM'000
<u>2024</u>				
<u>Government sukuk</u>				
Not rated	4,631	-	-	4,631
Subtotal	4,631	-	-	4,631
<u>Corporate sukuk</u>				
AAA	84,932	-	-	84,932
AA	32,173	-	-	32,173
A	10,085	-	-	10,085
Not rated	13,792	-	-	13,792
Subtotal	140,982	-	-	140,982
Total	145,613	-	-	145,613
<u>2023</u>				
<u>Government sukuk</u>				
Not rated	40,003	-	-	40,003
Subtotal	40,003	-	-	40,003
<u>Corporate sukuk</u>				
AAA	44,597	-	-	44,597
AA	19,035	-	-	19,035
A	10,005	-	-	10,005
Not rated	43,403	-	-	43,403
Subtotal	117,040	-	-	117,040
Total	157,043	-	-	157,043

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Financial assets measured at fair value through other comprehensive income (continued)

<u>Company</u>	12-month ECL RM'000	Lifetime ECL not credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total RM'000
<u>2024</u>				
<u>Government sukuk</u>				
Not rated	107,819	-	-	107,819
Subtotal	107,819	-	-	107,819
<u>Corporate sukuk</u>				
AAA	309,954	-	-	309,954
AA	197,655	-	-	197,655
A	10,085	-	-	10,085
Not rated	101,304	-	-	101,304
Subtotal	618,998	-	-	618,998
Total	726,817	-	-	726,817
<u>2023</u>				
<u>Government sukuk</u>				
Not rated	111,133	-	-	111,133
Subtotal	111,133	-	-	111,133
<u>Corporate sukuk</u>				
AAA	230,070	-	-	230,070
AA	121,121	-	-	121,121
A	10,005	-	-	10,005
Not rated	134,390	-	-	134,390
Subtotal	495,586	-	-	495,586
Total	606,719	-	-	606,719

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Liquidity risk

Liquidity risk primarily refers to the risk that expected and unexpected cash demands of deposit, certificate, and other contract-holders cannot be met as they fall due.

The Company constantly monitors the liquidity position of the respective funds and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk, in line with the Liquidity Management and Contingency Plan. The Company's liquidity position is monitored in compliance with regulatory and internal requirements in combination with maturity gap analysis.

To manage liquidity risk, the Company has implemented a variety of measures, including emphasizing flexible takaful product design so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Company continuously seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of takaful certificates issued.

Contractual maturities of financial liabilities

<u>Family Takaful Fund</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Due in one year or less</u>	<u>Due after one year through five years</u>	<u>Due after five years through ten years</u>	<u>Due after ten years</u>	<u>No fixed maturity</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2024</u>							
Other liabilities excluding lease liabilities	153,528	153,528	153,528	-	-	-	-
Total	153,528	153,528	153,528	-	-	-	-
<u>2023</u>							
Other liabilities excluding lease liabilities	129,565	129,565	129,565	-	-	-	-
Total	129,565	129,565	129,565	-	-	-	-

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Contractual maturities of financial liabilities

<u>Company</u>	Carrying amount	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2024</u>							
Other liabilities excluding lease liabilities	44,824	44,824	44,824	-	-	-	-
Lease liabilities	1,672	1,820	446	1,374	-	-	-
Total	46,496	46,644	45,270	1,374	-	-	-
<u>2023</u>							
Other liabilities excluding lease liabilities	37,458	37,458	37,458	-	-	-	-
Lease liabilities	2,039	2,266	446	1,820	-	-	-
Total	39,497	39,724	37,904	1,820	-	-	-

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity analysis of takaful and retakaful certificate liabilities

Family Takaful Fund	Total	Due in one year or less	Due after one year through three years	Due after three years though five years	Due after five years		
	RM'000	RM'000	RM'000	RM'000	RM'000		
<u>2024</u>							
Takaful certificate liabilities	4,163,130	225,875	123,346	53	3,813,856		
Takaful certificate assets	(109,855)	(17,832)	(61,699)	-	(30,324)		
Retakaful certificate assets	26,794	26,794	-	-	-		
<u>2023</u>							
Takaful certificate liabilities	3,502,894	397,871	15,304	29,250	3,060,469		
Takaful certificate assets	65,327	65,327	-	-	-		
Retakaful certificate assets	19,094	19,094	-	-	-		
Company	Total	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2024</u>							
Takaful certificate liabilities	2,030,500	184,824	(109,796)	(56,723)	(14,809)	25,052	2,001,952
Takaful certificate assets	(50,424)	(4,982)	(45,442)	-	-	-	-
Retakaful certificate assets	264,901	264,901	-	-	-	-	-
<u>2023</u>							
Takaful certificate liabilities	1,614,641	93,111	(185,815)	(120,438)	(58,105)	(6,325)	1,892,213
Takaful certificate assets	(8,386)	(8,386)	-	-	-	-	-
Retakaful certificate assets	238,310	238,310	-	-	-	-	-

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profile of debt securities

The table below shows the maturity profile of debt securities, loans and deposits based on contractual maturity dates. The maturity profile below excludes unit-linked investments as the investment risk is generally wholly borne by certificate holders.

	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>						
<u>2024</u>						
Debt securities	2,302,199	79,076	721,656	505,132	996,335	-
<u>2023</u>						
Debt securities	2,054,603	48,025	499,044	641,153	866,381	-
<u>Company</u>						
<u>2024</u>						
Debt securities	2,883,403	82,597	1,120,588	613,374	1,066,844	-
<u>2023</u>						
Debt securities	2,504,279	73,432	697,741	780,917	952,189	-

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Profit rate risk

Profit rate risk is the risk arising from the impact of profit rate movements on the value of future asset and liability cash flows.

The Company's exposure to profit rate risk predominantly arises from any differences between the duration of the Company's liabilities and assets for profit rate sensitive products, especially those providing profit rate guarantees. For other products, including those with investment-linked features, profit rate risk is significantly reduced due to the non-guaranteed nature of additional certificate holder benefits. Since most markets do not have assets of sufficient tenor to match its takaful liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Company's takaful liabilities.

The Company manages its profit rate risk by investing in financial instruments with tenors that match the duration of its liabilities as much as practicable and appropriate. The Company also considers the effect of profit rate risk in its overall product strategy. For new products, the Company emphasises flexibility in product design and generally designs products to avoid excessive long-term profit rate guarantees.

Equity risk

Equity risk refers to the risk of adverse market movement in equity investments leading to a reduction in surplus, or current and future fee income share.

The Company manages equity risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM's stipulated limits during the financial year and has no significant concentration risk.

Sensitivity analysis

Sensitivity analysis to the key variables, namely profit rate and equity risk, affecting takaful certificates and retakaful certificates held, and financial instruments held by the Company is set out below. The carrying values of other financial assets are not subject to changes in response to movements in profit rates or equity prices. In calculating the sensitivity to changes in profit rates and equity prices, the Company has made assumptions about the corresponding impact of asset valuations on liabilities to certificate holder.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Sensitivity analysis (continued)

Information is presented to illustrate the estimated impact on profits, total equity and CSM arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as follows:

- The effects on profit or loss are changes relating to loss components and changes in investment return and takaful finance income or expenses that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment results and net takaful finance income or expenses.
- The effects on CSM reflects the change of the corresponding market risks that impacts CSM.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax, total equity and CSM before the effects of taxation to changes in profit rates and equity prices on the grounds that default events reflect the characteristics of individual issuers.

Sensitivity analysis on profit rate risk

An analysis of the Company's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

<u>Company</u>	<u>Impact on profit before tax</u>	<u>Impact on total equity (before the effects of taxation)</u>	<u>Impact on CSM</u>	<u>Total increase/(decrease) in Takaful Contract liabilities</u>
	RM'000	RM'000	RM'000	RM'000
<u>As at 31 December 2024</u>				
<u>+ 50 basis points shift in yield curves:</u>				
Takaful certificates and retakaful certificates held	(834)	(834)	(11,216)	12,050
Financial instruments	(87,270)	(101,700)	-	-
<u>- 50 basis points shift in yield curves:</u>				
Takaful certificates and retakaful certificates held	716	716	9,624	(10,340)
Financial instruments	94,528	109,504	-	-

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Sensitivity analysis (continued)

Sensitivity analysis on profit rate risk (continued)

An analysis of the Company's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.(continued)

<u>Company</u>	<u>Impact on profit before tax</u>	<u>Impact on total equity (before the effects of taxation)</u>	<u>Impact on CSM</u>	<u>Total increase/(decr ease) in Takaful Contract liabilities</u>
	RM'000	RM'000	RM'000	RM'000
<u>As at 31 December 2023</u>				
<u>+ 50 basis points shift in yield curves:</u>				
Takaful certificates and retakaful certificates held	(1,398)	(1,398)	(12,584)	13,982
Financial instruments	(76,997)	(92,920)	-	-
<u>- 50 basis points shift in yield curves:</u>				
Takaful certificates and retakaful certificates held	1,463	1,463	13,169	(14,632)
Financial instruments	83,240	100,051	-	-

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

25 FINANCIAL RISKS (CONTINUED)

Sensitivity analysis (continued)

Sensitivity analysis on equity risk

An analysis of the Company's sensitivity to 10 % increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

<u>Company</u>	Impact on profit after tax RM'000	Impact on total equity (before the effects of taxation) RM'000
<u>As at 31 December 2024</u>		
+ 10 basis points shift in yield curves: Financial instruments	21,982	21,982
- 10 basis points shift in yield curves: Financial instruments	(21,982)	(21,982)
<u>As at 31 December 2023</u>		
+ 10 basis points shift in yield curves: Financial instruments	14,804	14,804
- 10 basis points shift in yield curves: Financial instruments	(14,804)	(14,804)

26 NON FINANCIAL RISKS

The Company's non-financial risks comprise operational risk, strategic risk and Shariah non-compliance risk.

(a) Operational risk

Operational risk is the risk arising from business processes including inadequate procedures or policies, employee errors, system failures, fraud, criminal activity or from external events which may result in direct or indirect business impact.

The Company protects itself against financial losses by establishing controls for day-to-day management of the business' operational risks as per the Company's Risk Management Policy as mentioned in Internal Control Framework, which is set out in part of the Directors' Report.

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

26 NON FINANCIAL RISKS (CONTINUED)

(b) Strategic risk

Strategic risk is identified as part of the business plan processes and is defined as the potential impact of the business strategy on the Company's earnings, capital and reputation. This also takes into consideration the wider social, economic, political, regulatory, competitive or technological trends that could impact the Company's business strategy within a set time period.

(c) Shariah Non-Compliance risk

Shariah Non-Compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Company may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Act or decisions or advice of the Company's Shariah Committee.

The Company expects to mitigate such risk by initiating, monitoring and responding to robust Shariah governance framework outlined in the Shariah Governance Policy as well as in the Risk Management Framework. The available controls include the effective discharge of the roles and responsibilities of the various functions under the Shariah Governance Policy Document, namely Shariah secretariat function, as well as Shariah control functions comprising of Shariah risk management, Shariah review and Shariah audit. Other relevant controls which instil and promote Shariah compliance behaviour include continuous staff and intermediaries' awareness on Shariah and incorporation of Shariah requirements into internal operating policies, procedures and guidelines owned by the various business units.

27 INVESTMENT-LINKED TAKAFUL FUNDS

Included in the Income Statement for the financial year ended 31 December 2024 and 31 December 2023, and Statement of Financial Position as at 31 December 2024 and 31 December 2023 of the Family Takaful fund are the segmental information for the investment-linked Takaful funds.

(a) Statement of Income and Expenditure

	<u>2024</u> RM'000	<u>2023</u> RM'000
Investment income	41,852	39,037
Net fair value gains	216,738	28,307
	<hr/>	<hr/>
Other operating expenses	258,590 (18,030)	67,344 (14,349)
	<hr/>	<hr/>
Profit before taxation	240,560	52,995
Taxation	(18,240)	(4,167)
	<hr/>	<hr/>
Profit after taxation	<u>222,320</u>	<u>48,828</u>

Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

27 INVESTMENT-LINKED TAKAFUL FUNDS

(b) Statement of Financial Position

	<u>2024</u>	<u>2023</u>
	RM'000	RM'000
ASSETS		
Financial assets at FVTPL:		
Government investment issues	67,645	53,228
Unquoted corporate sukuks	206,818	175,592
Quoted shariah approved shares	1,069,764	816,710
Unquoted shariah approved equities	10,204	10,251
Shariah approved unit trust fund	31,059	22,493
REITs	-	9,608
Foreign asset	82,457	66,887
Other receivables	1,299	5,132
Cash and cash equivalents	80,764	65,756
	<u>1,550,010</u>	<u>1,225,657</u>
LIABILITIES		
Other payables	240	1,810
Deferred tax liabilities	15,309	2,007
Tax payable	968	394
	<u>16,517</u>	<u>4,211</u>
Net asset value of funds	<u>1,533,493</u>	<u>1,221,446</u>

28 GENERAL RESERVES

There is a Takaful business transfer from AIA General Berhad (f.k.a AIA AFG Takaful Bhd.) to AIA PUBLIC Takaful Bhd. on 25 February 2014 which is accounted for as a business combination under common control. Arising from this business transfer, there is a merger reserves amounting to RM33,333,333.

29 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events to or from the reporting date that require disclosures or adjustments to the financial statements.

30 SUBSEQUENT EVENTS

There were no material events subsequent to or from the reporting date that require disclosures or adjustments to the financial statements.