

Registration No.

200501012215 (689263-M)

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2023

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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DIRECTORS' REPORT

The Directors are pleased to present this report with the Company's audited financial statements for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is engaged principally in underwriting Family Takaful, including investment-linked business. There were no significant changes in the Company's principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	35,940

DIVIDENDS

The amount of dividends the Company paid or declared since the end of the previous financial year are as follows:

For the financial year ended 31 December 2022:

	RM'000
Dividend paid on 30 June 2023:	
Single-Tier Final Dividend in respect of the Ordinary Shares of 3.57 sen per share	4,999
Single-Tier Final Dividend in respect of the Islamic Perpetual Non-Cumulative Preference Shares of 0.8 sen per share	1
	<u>5,000</u>

The Directors have not recommended any dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

TAKAFUL AND RETAKAFUL CONTRACT LIABILITIES

Before the Company made their financial statements, the Directors took reasonable steps to ascertain that the takaful and retakaful contract liabilities are adequate in accordance with MFRS 17 Insurance Contract.

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DIRECTORS' REPORT (CONTINUED)

SHARE CAPITAL

The Company did not issue any shares during the financial year.

BAD AND DOUBTFUL DEBTS

Before the Company's financial statements were made, the Directors took reasonable steps to ascertain that proper action had been taken in relation to writing off of bad debts and making allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

As of the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the Company's financial statements inadequate to any substantial extent.

CURRENT ASSETS

Before the Company's financial statements were made, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the Company's accounting records were written down to an amount which they might be expected so to realise.

As of the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the Company's financial statements misleading.

VALUATION METHODS

As of the date of this report, the Directors are not aware of any circumstances that has arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the Company's assets that arose since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company that arose since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the Company's ability to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of Takaful underwritten in the ordinary course of the Company's business.

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DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

As of the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the Company's financial statements, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the Company's operations for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction, or event of a material and unusual nature.

In the interval between the end of the financial year and the date of this report, no item, transaction, or event arose of a material and unusual nature which is likely, in the opinion of the Directors, to affect substantially the results of the Company's operations for the financial year in which this report is made.

DIRECTORS

The Directors who held office since the date of the last report and as of the date of this report are as follows:

<u>Members of the Board</u>	<u>Designation</u>
Dato' Noorazman Bin Abd Aziz	Chairman/ Independent Non-Executive Director
Datin K. Komalavalli A/P K.R. Gopal	Independent Non-Executive Director
Vivien Kusumowardhani	Independent Non-Executive Director
Ooi Say Teng	Non-Independent Non-Executive Director
Yeoh Eng Kim (appointed on 4 April 2023)	Executive Director
Karim Gilani (resigned on 4 April 2023)	Executive Director

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors to acquire benefits by means 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 of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in the notes to the Company's financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

INDEMNITY AND TAKAFUL

The Company's Directors and officers are covered by Directors and Officers liability takaful for any liability incurred in the discharge of their duties, provided they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The takaful contribution paid during the financial year amounted to RM69,920.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Company has kept the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016. None of the Directors in office at the end of the financial year hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares, and debentures or have beneficial interests in the shares, options over shares, and debentures of its related companies during and at the end of the financial year.

DIRECTORS' REMUNERATION

Directors' remuneration of the Company for the financial year is RM718,000. The details of Directors' remuneration are set out in Note 13 to the financial statements.

CORPORATE GOVERNANCE DISCLOSURE

Board of Directors (the Board)

Directors' Profiles

Composition of the Board

The Board currently has five (5) members, comprising one (1) Independent Non-Executive Chairman, two (2) Independent Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director, each from diverse backgrounds and qualifications and bring a wealth of knowledge, experience, and skills in a wide range of areas, inter alia, business strategy, finance, takaful, risk management and technology to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities, and competencies to the Company.

Dato' Noorazman Bin Abd Aziz

Chairman & Independent Non-Executive Director
Aged 68, Male, Malaysian

Date of Appointment: 13 May 2022

Membership of Board Committees:

- Member of Audit Committee
- Member of Nomination and Remuneration Committee
- Member of Risk Management Committee

Dato' Noorazman holds a Bachelor of Science (Finance) from Louisiana State University, USA. He is a member of Chartered Institute of Islamic Finance Professionals (CIIF), a member of the Australian Institute of Corporate Directors (AICD) as well as a member of the Institute of Corporate Directors, Malaysia (ICDM).

Dato' Noorazman has over 38 years of experience in banking & finance, investments and capital markets having served as Executive Director, Investments in Khazanah Nasional Berhad, Co-founder and Managing Director of Fajr Capital Ltd and held key positions in Citigroup, Bank Islam Malaysia Bhd, Kuala Lumpur Stock Exchange and Labuan Offshore Financial Services Authority (LOFSA).

In 2005, Dato' Noorazman was named as the winner of the first Asian Banker Achievement Award for Islamic Finance.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Profiles (continued)

Dato' Noorazman is currently the Chairman of the Board of Sun Life Malaysia Assurance Berhad, CTOS Digital Berhad, MUFG Bank (Malaysia) Berhad and a Director of Kumpulan Perangsang Selangor Berhad (KPS). He also chairs the Board of Trustees of Yayasan UEM and the International Centre for Education in Islamic Finance (INCEIF) and sits on the Board of Trustees of OSK Foundation. He is also a member of the Audit Oversight Board in the Securities Commission Malaysia and a member of the Investment Panel of Kumpulan Wang Persaraan (KWAP).

Dato' Noorazman does not have any shareholding in the Company.

Dato' Noorazman has attended the following trainings during the year:

Training / Conferences
Integrity, Governance and Anti-Corruption Training – Ethics in Leadership, Overcoming Abuse of Position and Conflict of Interest
INCEIF: Eminent Talk Series.
Environmental, Social and Corporate Governance (ESG) – Emerging Risk and Climate Change
In-house training on Climate Change and Environmental Impact.
INCEIF: "Islamic – Finance in Malaysia: Going Forward".
Financial Crime Compliance Training – Annual FCC Awareness Session
Financial Institutions Directors' Education Forum Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know.
Task Force on Climate-Related Financial Disclosures
Sealing Up the Circular Economy for Audit Oversight Members of Securities Commission.
INCEIF: The Grand Design of Islamic Finance – The Tone at the top.
In-house training on Cybersecurity.
INCEIF: Public Lecture on Islam and Inequality - What Economics and Finance from an Islamic Perspective Can Do.
In-house training on 2023 Cyber Drill Exercise.
Board & Investment Panel Training on Sustainability Governance & Reporting Implications of ESG
Board & Investment Panel Training on Cyber Security
Fiduciary Duty on Climate Risk Management by KPMG.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Profiles (continued)

Training / Conferences
INCEIF: Islamic Finance for Board of Directors Training Programme.
Anti-Trust Training – Ensuring Compliance with Competition Law
Personal Data Protection Training
In-house training on Product Deep Dive Session.
In-house training on Cybersecurity: The Dark Web and Empowering You to Stay Safe in a Digital World.

Datin K. Komalavalli A/P K.R. Gopal

Independent Non-Executive Director
Aged 64, Female, Malaysian

Date of Appointment: 2 September 2022

Membership of Board Committees:

- Chairperson of Risk Management Committee
- Member of Nomination and Remuneration Committee
- Member of Audit Committee

Datin Komala holds a Bachelor of Economics (Hons) from the University of Malaya.

Datin Komala has an extensive 37 years of experience in regulating and supervising the banking and insurance industries in Malaysia as a central banker, prior to her recent retirement in 2019. She commenced her career at the Ministry of Finance, Malaysia in 1982 and moved on to Bank Negara Malaysia in 1988. Prior to assuming her supervision role for the safety and soundness of individual financial institutions in 2002, Datin Komala has also been extensively involved in macro policy formulation, designed to facilitate the growth and capacity building of the industry to be able to support the developmental needs of the Malaysian economy. Datin Komala has been directly responsible for engaging with Boards and senior managements of financial institutions to ensure early identification of emerging issues and implementation of pre-emptive remedial actions and effective resolution strategies best suited to achieve the desired outcomes. Post retirement, Datin Komala has been a consultant and board member of various institutions.

Datin Komala does not have any shareholding in the Company.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Profiles (continued)

Datin Komala has attended the following trainings during the year:

Training / Conferences
In-house training on Climate Change.
Financial Institutions Directors' Education (FIDE) Forum Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know.
In-house training on Cybersecurity.
In-house training on 2023 Cyber Drill exercise.
Khazanah Megatrends Forum - Orchestrating a Development Bargain for Sustainable Growth.
FIDE Core Module A and B (Insurance).
International Center for Leadership in Finance (ICLIF): Board Oversight of Climate Risks and Opportunities.
Climate Governance Malaysia: Chairperson Masterclass Series 2023: The Business of Biodiversity: Why It Matters to Your Company.
Fiduciary Duty on Climate Risk Management by KPMG.
In-house training on Cybersecurity Month Presents: Empowering You to Stay Safe in a Digital World.
In-house training on Product Deep Dive Session.
In-house training on Cybersecurity: The Dark Web and Empowering You to Stay Safe in a Digital World.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Profiles (continued)

Ms. Vivien Kusumowardhani

Independent Non-Executive Director

Aged 65, Female, Indonesian

Date of Appointment: 19 August 2022

Membership of Board Committees:

- Chairperson of Audit Committee
- Chairperson of Nomination and Remuneration Committee
- Member of Risk Management Committee

Ms. Vivien obtained her Executive Master of Business Administration from Instituto de Empresa, Madrid, Spain in March 1988. She also holds a Bachelor of Business Administration from City University of New York – Baruch College, New York, USA. She is a member of Professional Designation in Life Insurance – The Fellow, Life Management Institute (FLMI) with distinction.

Ms. Vivien has over 42 years of experience in Marketing and Business Development, Bancassurance and Corporate Communications, having served as a Board Member of Indonesia Life Insurance Association (also known as Asosiasi Asuransi Jiwa Indonesia - AAJI) and held key positions in MetLife Sejahtera, Sewu New York Life and ING Aetna Life Indonesia.

Ms. Vivien is currently the President Commissioner of Sun Life Financial Indonesia, Chairperson of Indonesia Canada Chamber of Commerce (ICCC), Chairperson of Board of Supervisors, Yayasan Care Peduli (Indonesia), and an active member of Yayasan Kanker Indonesia.

Ms. Vivien does not have any shareholding in the Company.

Ms. Vivien has attended the following trainings during the year:

Training / Conferences
In-house training on Climate Change.
In-house training on Cybersecurity.
In-house training on 2023 Cyber Drill exercise.
FIDE Core Module A and Module B (Insurance)
International Center for Leadership in Finance (ICLIF): Board Oversight of Climate Risks and Opportunities.
Fiduciary Duty on Climate Risk Management by KPMG.
In-house training on Cybersecurity: The Dark Web and Empowering You to Stay Safe in a Digital World.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Profiles (continued)

Mr. Ooi Say Teng

Non-Independent Non-Executive Director
Aged 62, Male, Malaysian

Date of Appointment: 8 September 2017

Membership of Board Committees:

- Member of Audit Committee
- Member of Nomination and Remuneration Committee
- Member of Risk Management Committee
- Member of Executive Committee

Mr. Ooi has more than 30 years of experience in the insurance industry as well as extensive management experience having held senior leadership positions with both local and global companies in Malaysia. He holds a Bachelor of Science (Honours) Degree in Actuarial Science from The City University, London and a Diploma in Actuarial Techniques from the Institute of Actuaries, London. He is also a Registered Financial Planner.

Mr. Ooi began his career back in 1983 at MCIS Insurance Berhad, rising through the ranks to Assistant General Manager, Operations before moving on to MBA Life Assurance Berhad (now known as Allianz Life Insurance Berhad) as Deputy General Manager, Operations. He then took on the role as Assistant General Manager of Mayban Life Assurance Berhad where his strong track record and leadership capability saw him then taking on the helmship of UniAsia Life Assurance Berhad as Chief Executive Officer in 2003. In 2010, he joined CIMB Bank Berhad as the Head of CIMB Group Insurance, in which he was instrumental in driving the development of the insurance business in Malaysia, Indonesia and Thailand before being appointed to be the inaugural CEO of Sun Life Malaysia Assurance Berhad in 2013. He had taken over the leadership of Avicennia Capital Sdn Bhd, a holding company for the insurance assets of Khazanah Nasional Berhad which include Sun Life Malaysia. He had also served as the Vice President of LIAM (Life Insurance Association of Malaysia) in 2009, sat on board of Directors for Tune Insurance Malaysia Berhad, Labuan Reinsurance (L) Ltd and was the Deputy Chairman for Malaysia Life Reinsurance Berhad.

Mr. Ooi is currently also a Non-Independent Non-Executive Director of Sun Life Malaysia Assurance Berhad.

Mr. Ooi does not have any shareholding in the Company.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Profiles (continued)

Mr. Ooi has attended the following trainings during the year:

Training / Conferences
In-house training on Climate Change.
In-house training on SLM 2023 Cyber Drill exercise.
Fiduciary Duty on Climate Risk Management by KPMG
Asia School of Business (ASB): Distinguished Board Leadership Series 2023 - Empowering Change through Diversity, Equity & Inclusion (DEI).
In-house training on Cybersecurity: The Dark Web and Empowering You to Stay Safe in a Digital World.

Ms. Yeoh Eng Kim

Executive Director
Aged 48, Female, Canadian

Date of Appointment: 4 April 2023

Membership of Board Committee:

- Member of Executive Committee

Ms. Yeoh holds a Bachelor of Mathematics from the University of Waterloo. She is a Fellow of the Society of Actuaries, the Canadian Institute of Actuaries, and the Actuarial Society of Hong Kong, as well as Chartered Financial Analyst Charterholder.

Ms. Yeoh has over 25 years' experience in finance, investments, valuation and product management roles in North America, Europe, and Asia. She began her career as an actuarial analyst in Ontario with Mutual Life of Canada, which was later acquired by Sun Life. She re-joined Sun Life in 2017 as the Head of Asset Liability Management ("ALM") Asia and went on to become Chief Actuary, Asia before assuming the role of Chief Financial Officer, Asia. Immediately prior to that, Ms. Yeoh was the Chief Actuary of Prudential Life Assurance Indonesia. Over her career, she has worked in Canada, the United States, Netherlands, Taiwan, Indonesia and now Hong Kong.

Ms. Yeoh is currently the Chief Financial Officer, Asia, of Sun Life, a global financial services organization with life, health, and wealth management businesses in eight Asian markets. She is responsible for leading Sun Life's finance organization in Asia, including Finance, Tax, Capital, and Strategic Finance initiatives. In this role, she also oversees Actuarial, Product and ALM functions as well as Regional Office Operations. She is a member of Sun Life's Global Finance Leadership team and the Asia Executive Team.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Directors' Profiles (continued)

Ms. Yeoh does not have any shareholding in the Company.

Ms. Yeoh has attended the following trainings during the year:

Training / Conferences
In-house training on Climate Change.
In-house training on Cybersecurity.
International Center for Leadership in Finance (ICLIF): Board Oversight of Climate Risks and Opportunities.
Fiduciary Duty on Climate Risk Management by KPMG.

Board Meetings

A total of five (5) Board meetings were held during the financial year in review. All Directors have complied with Bank Negara Malaysia requirements that a director must attend at least 75% of Board meeting held in a financial year. The details of the meeting attendance are as follow:

Directors	Attendance	%
Dato' Noorazman Bin Abd Aziz (Chairman)	5/5	100%
Datin K. Komalavalli A/P K.R. Gopal	5/5	100%
Vivien Kusumowardhani	5/5	100%
Ooi Say Teng	5/5	100%
Yeoh Eng Kim*	3/4	75%
Karim Gilani**	1/1	100%

*Ms. Yeoh Eng Kim was appointed to the Board on 4 April 2023

**Mr. Karim Gilani resigned from the Board on 4 April 2023

Roles and Responsibilities of the Board

The Board is responsible for supervising the Management of the business and affairs of the Company. The Board performs the following overall stewardship responsibilities either directly or through its committees. However, it remains fully accountable for any authority delegated to the Committees. The Board has clearly outlined matters that require Board approval and those that have been delegated to Management.

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Board Committees

The Board established four (4) Board Committees operating on the terms of reference approved by the Board, to assist the Board in the execution of its responsibilities. These Board Committees shall have the authorities to examine particular issues and report to the Board with their observations and recommendations. The ultimate responsibility for the decision on all matters, however, lies with the entire Board.

Audit Committee (AC)

The AC comprises three (3) Independent Directors and one (1) Non-Independent Non-Executive Director. Four (4) AC meetings were held during the financial year. The details of each AC member's attendance during the financial year are as follows:

Members	Attendance	%
Vivien Kusumowardhani (Chairperson)	4/4	100%
Dato' Noorazman Bin Abd Aziz	4/4	100%
Datin K. Komalavalli A/P K.R. Gopal	4/4	100%
Ooi Say Teng	4/4	100%

The AC is a standing committee of the Board whose primary functions are to assist the Board with its oversight role with respect to:

- i) The integrity of financial statements and information provided to Shareholders and others.
- ii) The Company's compliance with applicable financial and regulatory requirements;
- iii) The adequacy and effectiveness of the internal control environment implemented and maintained by Management; and
- iv) The qualifications, independence and performance of the External Auditors and Chief Internal Auditor who is accountable to the AC, the Board and the Shareholders.

The roles and responsibilities of the AC are set out in its AC Charter which is published on the Company's corporate website at www.sunlifemalaysia.com.

Nomination and Remuneration Committee (NRC)

The NRC comprises three (3) Independent Directors and one (1) Non-Independent Non-Executive Director. Five (5) NRC meetings were held during the financial year. The details of each NRC member's attendance during the financial year are as follows:

Members	Attendance	%
Vivien Kusumowardhani (Chairperson)	5/5	100%
Dato' Noorazman Bin Abd Aziz	5/5	100%
Datin K. Komalavalli A/P K.R. Gopal	5/5	100%
Ooi Say Teng	5/5	100%

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CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Board of Directors (the Board) (continued)

Board Committees (continued)

Nomination and Remuneration Committee (NRC) (continued)

The primary purpose of the NRC is to:

- i) Establish a documented, formal and transparent procedure for the appointment of Directors and Senior Management, and to assess the effectiveness of Directors, the Board as a whole and the various committees of the Board, the Shariah Committee and the Senior Management; and
- ii) Provide a formal and transparent procedure for developing a remuneration policy for Directors and Senior Management and ensuring that their compensation is consistent with the Company's culture, objective and strategy.

The roles and responsibilities of the NRC are set out in its NRC Charter which is published on the Company's corporate website at www.sunlifemalaysia.com.

Risk Management Committee (RMC)

The RMC comprises three (3) Independent Directors and one (1) Non-Independent Non-Executive Director. Four (4) RMC meetings were held during the financial year. The details of each RMC member's attendance during the financial year are as follows:

Members	Attendance	%
Datin K. Komalavalli A/P K.R. Gopal (Chairperson)	4/4	100%
Vivien Kusumowardhani	4/4	100%
Dato' Noorazman Bin Abd Aziz	4/4	100%
Ooi Say Teng	4/4	100%

The RMC is a standing committee of the Board whose primary objective is to oversee 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.

The roles and responsibilities of the RMC are set out in its RMC Charter which is published on the Company's corporate website at www.sunlifemalaysia.com.

Executive Committee (EXCO)

The EXCO composed of an equal number of Directors nominated by each of the Shareholders. The composition of the EXCO is as follows:

Ooi Say Teng
Yeoh Eng Kim (appointed on 4 April 2023)
Karim Gilani (resigned on 4 April 2023)

The EXCO's duties and responsibilities are as follows:

- i) Reviews and recommends for approval of certain matters in the Shareholders Agreement before being tabled to the relevant Board Committees (as applicable) and, subsequently, to the Board for deliberation and approval;

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Board of Directors (the Board) (continued)

Board Committees (continued)

Executive Committee (EXCO) (continued)

- ii) Incorporate Environmental, Social and Governance (ESG) and climate-related considerations while performing their duties and responsibilities; and
- iii) Performs such other duties and exercises and such other powers as the Board may, from time to time, assign or vest in the EXCO.

The roles and responsibilities of the EXCO are set out in its EXCO Charter which is published on the Company's corporate website at www.sunlifemalaysia.com.

Shariah Committee (SC)

The SC members and the SC members' attendance during the financial year are as follows:

	<u>Attendance</u>
Sheikh Professor Dato' Dr Asmadi Mohamed Naim (Chairman)	9/9
Sheikh Azizi Che Seman	9/9
Sheikh Professor Dr. Abd Ghafar Ismail	9/9
Sheikh Dr. Md Nurdin Ngadimon (appointed on 1 April 2023)	7/7
Sheikh Dr Ghazali Jaapar (appointed on 1 April 2023)	7/7
Sheikh Professor Dato' Dr. Mohammad Hashim Kamali (retired on 31 March 2023)	2/2
Sheikh Mohd Fadhly Md Yusoff (retired on 31 March 2023)	2/2

The SC's duties and responsibilities are as follows:

- (i) Provides decision or advice to the Company on the application of any rulings of the Shariah Advisory Council (SAC) or standards on Shariah matters that are applicable to the Company's business, operations, affairs and activities;
- (ii) Provides a decision or advice on matters which require a reference to be made to the SAC;
- (iii) Provides a decision or advice on the Company's business, operations, affairs and activities which may trigger a Shariah non-compliance event;
- (iv) Deliberates and affirms a Shariah non-compliance finding by any relevant functions;
- (v) Endorses a rectification measure to address a Shariah non-compliance event;
- (vi) Reviews and endorses Shariah governance related documents such as the Shariah-Compliant Business Policy, Shariah audit, and Shariah risk management; and
- (vii) Approves product concept, underlying Shariah contract, Shariah structure, Shariah features and its documentation.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Internal Control Framework

The Board exercises overall responsibility on the Company's internal controls and its effectiveness. At least annually, the Board approves policies and procedures for management and control of risk and capital, reviews compliance with these policies and procedures, reviews internal control and management information systems that provide reasonable assurance for the reliability of the Company's financial information and safeguarding of its assets, and reviews compliance with legislative and regulatory requirements. The Board recognizes that risks cannot be eliminated completely, as such, the systems and processes put in place are aimed at minimizing and managing risk.

The Company has in place a system of governance that embeds a clear ownership of risk, together with risk policies and standards to enable risks to be identified, assessed, measured, managed, monitored, and reported. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the independent Internal Audit function, is carried out regularly to provide reasonable and objective assurance on the design, effectiveness, and implementation of the overall system of internal control and ensure corrective actions, where necessary, are taken in a timely manner. As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly, and professionally.

Remuneration Policy

The Company's remuneration programs are designed to meet the following objectives:

- Align to business strategy;
- Provide incentive to achieve strategic business results;
- Support fairness for employees and reward top performer;
- Provide alignment to Shareholders interests, and create a long-term ownership mind-set for members of senior management; and
- Align remuneration outcomes with prudent risk-taking.

Remuneration Principles and Framework

The competitiveness of the Company's remuneration programs is achieved through the completion of periodical benchmarking reviews. Benchmarking reviews are completed to assess the compensation at all salary levels compared to appropriate peer companies to determine the need for adjustments to pay programs.

The total remuneration package for senior management and other material risk takers comprises of fixed pay (base salary and cash allowances), variable compensation plan and benefits. The variable compensation plan comprises of short-term incentive and deferred long-term incentive. The short-term incentive is in the form of annual cash payment and linked to the business performance and contribution by the individual. Deferred long-term incentive is in the form of share units tied to the value of Sun Life Financial publicly traded stock, with the deferral period of three (3) years. The objectives are to focus key contributors on creating long-term value and alignment of interests with the Shareholders.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Remuneration Policy (continued)

Remuneration Principles and Framework (continued)

The variable compensation plan aims to provide motivation and focus to senior management and employees to add value to the Company, Shareholders and clients, supported through informed and transparent risk-taking. Remuneration for employees is aligned with prudent risk-taking and symmetric with risk outcomes. This includes ensuring that the remuneration is adjusted to account for risk consideration, and determined by both quantitative measures and qualitative judgement, as well as the contribution of the individual and Company's performance. All variable compensation plans are performance based and include appropriate measures of financial performance over different time horizons.

The Company's senior management comprise of the Chief Executive Officer and Chief Officers in the Management Committee. The remuneration of senior management and other material risk takers including base salary and variable compensation are subject to the review and approval by the Nomination and Remuneration Committee and the Board.

The employees in control functions are measured based on clearly defined key performance index to ensure effective oversight of the Company.

Details of quantitative remuneration reward are set out in Note 13 and 19 to the Financial Statements.

HOLDING COMPANIES

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company, effective from 2 October 2019. All three companies are incorporated in Malaysia.

AUDITORS' REMUNERATION

The auditors' remuneration of the Company is as follows:

	RM'000
Fees payable to PricewaterhouseCoopers:	
Statutory audit	
- current financial year	595
Audit related services	500
Tax services	53
	<u>1,148</u>

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), are retiring at the upcoming Annual General Meeting and are not seeking re-appointment.

Signed on behalf of the Board in accordance with the resolution of the Directors dated 19 March 2024.

DATO' NOORAZMAN BIN ABD AZIZ
DIRECTOR

OOI SAY TENG
DIRECTOR

Kuala Lumpur

Registration No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Dato' Noorazman Bin Abd Aziz and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements on pages 25 to 150 are drawn up to give a true and fair view of the Company's financial position as at 31 December 2023, and the Company's financial performance for the financial year ended 31 December 2023 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 in accordance with a resolution of the Directors dated 19 March 2024.

DATO' NOORAZMAN BIN ABD AZIZ
DIRECTOR

OOI SAY TENG
DIRECTOR

Kuala Lumpur

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

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Takaful Berhad, do solemnly and sincerely declare that the financial statements on pages 25 to 150 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM
MIA No. CA10652

Subscribed and solemnly declared by the above named Chew Chin Lim at Kuala Lumpur, in the state of Wilayah Persekutuan in Malaysia on 19 March 2024.

Before me,

COMMISSIONER FOR OATHS

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, the Sun Life Malaysia Takaful Berhad Shariah Committee (the Shariah Committee) reviewed the principles and the contracts relating to the transactions and applications introduced by Sun Life Malaysia Takaful Berhad (the Company) through the product literature, contract documents, financial statements, policies, and specific issues during the financial year ended 31 December 2023. We also conducted our review to form an opinion as to whether the Company complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The Company's management is responsible for ensuring that it conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on review of the operations by the Shariah Review, Risk Management, and the Internal Audit of the Company as presented to the Shariah Committee, and to report to you.

We assessed the work carried out by the Shariah review which included examining the relevant documentation and operational procedures adopted by the Company.

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

In our opinion:

1. The contracts, transactions, and dealings entered into and concluded by the Company during the financial year ended 31 December 2023 are in compliance with the Shariah principles.
2. The allocation of surplus sharing from the Participant Risk Fund (Tabarru' Funds) to the customers and Company conforms to the basis stipulated in the Surplus Recognition and Allocation policy and approved by us.
3. The allocation of profit sharing from the Participant Account/Universal Account to the customers and Company conforms to the basis stipulated in the Takaful Participants' Account – Investment Allocation and Management of Universal Takaful Business Policy and approved by us.
4. There was no Qard recovery by the Shareholders Fund from the Family Takaful Fund in the financial year ended 31 December 2023.
5. All Shariah review and audit reports were shared to us, deliberated on, and ratified by us.
6. The allocation of zakat amounting to RM1,222,945 was deliberated and approved by the Shariah Committee.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

We, being two of the members of the Company's Shariah Committee, do hereby confirm that the Company's operations for the financial year ended 31 December 2023 were conducted in conformity with Shariah, except where it is disclosed otherwise. Nothing has come to our attention that causes us to believe that the operations, business, affairs, and activities of the Company involve any material Shariah non-compliance.

SHEIKH PROFESSOR DATO' DR ASMADI MOHAMED NAIM
SHARIAH COMMITTEE

SHEIKH AZIZI CHE SEMAN
SHARIAH COMMITTEE

Kuala Lumpur
19 March 2024

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)
Registration No. 200501012215 (689263-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Takaful Berhad (the Company) give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2023 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 150

Basis for opinion

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

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

Independence and other ethical responsibilities

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501012215 (689263-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501012215 (689263-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 200501012215 (689263-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
03252/05/2024 J
Chartered Accountant

Kuala Lumpur
19 March 2024

Registration No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	31.12.2023		31.12.2022		1.1.2022	
		Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
ASSETS							
Property and equipment	3	-	2,116	-	1,656	-	330
Intangible assets	4	-	16,967	-	19,953	-	23,101
Right-of-use assets		-	11	-	79	-	11
Investments:							
Available-for-sale financial assets	5	-	-	1,435,569	1,933,485	1,173,966	1,604,377
Fair value through other comprehensive income financial assets	5	1,865,932	2,474,409	-	-	-	-
Fair value through profit or loss financial assets	5	721,480	729,754	612,332	617,961	653,626	657,604
Amortised cost financial assets	6	156,516	172,956	149,266	181,675	106,227	142,260
Retakaful certificate assets	7	74,445	74,162	48,092	47,809	46,129	45,846
Takaful certificate assets	7	146,441	364,143	157,078	354,883	156,217	366,750
Other receivables	8	7,942	12,895	67,754	71,452	6,607	9,181
Deferred tax assets	9	-	-	6,542	-	-	-
Current tax assets		182	3,865	225	-	-	-
Cash and bank balances		23,724	24,445	16,274	17,292	10,651	12,467
TOTAL ASSETS		2,996,662	3,875,723	2,493,132	3,246,245	2,153,423	2,861,927

* Restated due to adoption of MFRS 17

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONTINUED)

	Note	31.12.2023		31.12.2022		1.1.2022	
		Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
EQUITY AND LIABILITIES							
Share capital	11	-	240,000	-	240,000	-	240,000
Retained earnings		-	429,372	-	395,405	-	391,279
Fair value through other comprehensive income/ Available-for-sale reserve		56,152	56,677	(1,660)	(8,778)	21,884	23,044
Takaful finance reserve		(56,152)	(56,152)	1,660	1,660	(21,884)	(21,884)
TOTAL EQUITY		-	669,897	-	628,287	-	632,439
LIABILITIES							
Retakaful certificate liabilities	7	6,359	6,359	2,175	2,175	545	545
Takaful certificate liabilities	7	2,891,598	3,050,968	2,381,698	2,469,938	2,098,474	2,098,835
Lease liabilities		-	12	-	80	-	12
Other payables	10	93,303	121,367	109,259	124,712	47,913	72,517
Deferred tax liabilities	9	5,402	27,120	-	13,881	5,971	55,035
Current tax liabilities		-	-	-	7,172	520	2,544
TOTAL LIABILITIES		2,996,662	3,205,826	2,493,132	2,617,958	2,153,423	2,229,488
TOTAL EQUITY AND LIABILITIES		2,996,662	3,875,723	2,493,132	3,246,245	2,153,423	2,861,927

* Restated due to adoption of MFRS 17

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

Registration No.

200501012215 (689263-M)

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023		2022	
		Family Takaful fund RM'000	Company RM'000	Family Takaful fund RM'000 Restated*	Company RM'000 Restated*
Takaful revenue	12	370,845	416,452	283,799	279,209
Takaful service expenses	13	(378,046)	(387,173)	(306,056)	(317,126)
Takaful service result before retakaful certificates held		(7,201)	29,279	(22,257)	(37,917)
Allocation of retakaful contributions		(79,978)	(79,978)	(77,637)	(77,637)
Amounts recoverable from retakaful operators for incurred claims		79,780	79,826	77,482	77,535
Net expense from retakaful certificates held	14	(198)	(152)	(155)	(102)
Takaful service result		(7,399)	29,127	(22,412)	(38,019)
Investment income		85,575	107,402	69,714	88,765
Net realised gains/(losses)		3	3	(8,327)	(8,702)
Net fair value gains/(losses)		84,359	84,720	(134,538)	(135,887)
Net investment income/(expenses)	15(a)	169,937	192,125	(73,151)	(55,824)
Takaful finance (expenses)/income for takaful certificates issued		(153,861)	(163,606)	84,780	83,507
Retakaful finance income for retakaful certificates held		197	197	155	155
Net takaful financial result	15(b)	(153,664)	(163,409)	84,935	83,662
Net investment result		16,273	28,716	11,784	27,838
Other operating income		35	130	13	13
Other operating expenses		-	(145)	-	(244)
Other finance cost		-	(1)	-	(3)
Other income/(expenses)		35	(16)	13	(234)
Profit/(loss) before taxation		8,909	57,827	(10,615)	(10,415)
Tax (expense)/credit attributable to participants		(8,909)	(8,909)	10,615	10,615
Profit before taxation attributable to Shareholders		-	48,918	-	200

* Restated due to adoption of MFRS 17

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Note	2023		2022	
		Family Takaful fund	Company	Family Takaful fund	Company
		RM'000	RM'000	RM'000 Restated*	RM'000 Restated*
Profit before taxation attributable to Shareholders		-	48,918	-	200
Taxation		(8,909)	(20,664)	10,615	15,677
Tax expense/(credit) attributable to participants	16	8,909	8,909	(10,615)	(10,615)
Tax (expense)/credit attributable to Shareholders		-	(11,755)	-	5,062
Zakat		-	(1,223)	-	(1,136)
Net profit for the financial year		-	35,940	-	4,126
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss:					
Fair value change on fair value through other comprehensive income financial assets:					
- Revaluation		63,236	77,243	(22,426)	(34,313)
- Transfer to profit or loss upon disposal		(627)	(627)	(3,166)	(2,171)
- Gross fair value changes	5(c)	62,609	76,616	(25,592)	(36,484)
- Expected credit loss		148	171	-	-
- Deferred taxation	9	(5,009)	(8,370)	2,048	4,662
Net fair value changes		57,748	68,417	(23,544)	(31,822)
Takaful finance (expenses)/income for takaful certificates issued					
- Changes in fair value of underlying items	15	(57,748)	(57,748)	23,544	23,544
Net takaful financial result		(57,748)	(57,748)	23,544	23,544
Other comprehensive income/(loss) for the financial year, net of tax		-	10,669	-	(8,278)
Total comprehensive income/(loss) for the financial year		-	46,609	-	(4,152)
Basic earnings per share (sen)		-	25.67	-	2.95

* Restated due to adoption of MFRS 17

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	Non-distributable				Total RM'000
		Share capital RM'000	FVOCI/ AFS* reserve RM'000	Takaful finance reserve RM'000	Retained earnings RM'000	
At 31 December 2021 (as previously reported)		240,000	1,160	-	234,858	476,018
Impact of first-time adoption of MFRS 17	26	-	21,884	(21,884)	156,421	156,421
At 1 January 2022 (restated)		240,000	23,044	(21,884)	391,279	632,439
Total comprehensive (loss)/income for the financial year (restated)		-	(31,822)	23,544	4,126	(4,152)
As at 31 December 2022 (restated)		240,000	(8,778)	1,660	395,405	628,287
At 31 December 2022 (as previously reported)		240,000	(7,118)	-	273,357	506,239
Impact of first-time adoption of MFRS 17	26	-	(1,660)	1,660	122,048	122,048
At 31 December 2022 (restated)		240,000	(8,778)	1,660	395,405	628,287
Impact of first-time adoption of MFRS 9	26	-	(2,962)	(64)	3,027	1
At 1 January 2023 (restated)		240,000	(11,740)	1,596	398,432	628,288
Dividend paid		-	-	-	(5,000)	(5,000)
Total comprehensive income/(loss) for the financial year		-	68,417	(57,748)	35,940	46,609
As at 31 December 2023		240,000	56,677	(56,152)	429,372	669,897

* FVOCI and AFS refer to fair value through other comprehensive income and available-for-sale.

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RM'000	RM'000
		Restated*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	35,940	4,126
Adjustments for:		
Depreciation of property and equipment	96	24
Amortisation of intangible assets	5,322	4,810
Amortisation of right-of-use assets	67	67
Amortisation of premiums – net	2,268	1,246
Realised (gain)/ loss on disposal of financial assets	(3)	8,702
Gain on disposal of property and equipment	(95)	-
Profit income	(102,461)	(80,732)
Dividend income	(8,210)	(9,810)
Expected credit loss on investments at fair value through other comprehensive income	171	-
Net fair value (gains)/losses	(84,720)	135,887
Zakat	1,223	1,136
Finance cost	1	3
Taxation	20,664	(15,677)
(Loss)/profit from operations before changes in operating assets and liabilities	(129,737)	49,782
Proceeds from disposal and maturity of investments	221,380	319,492
Purchase of investments	(708,682)	(787,924)
Decrease/(increase) in other receivables	54,536	(62,269)
Increase in net takaful certificate liabilities	514,017	405,662
Decrease/(increase) in fixed and call deposits with licensed financial institutions	8,749	(39,423)
Increase in net retakaful certificate assets	(22,169)	(333)
(Decrease)/increase in other payables	(3,431)	51,352
	(65,337)	(63,661)
Finance cost of leases paid	(1)	(3)
Income tax paid	(23,025)	(16,186)
Zakat paid	(1,136)	(170)
Profit income received	96,085	78,239
Dividend income received	8,432	9,673
Net cash generated from operating activities	15,018	7,892

* Restated due to adoption of MFRS 17

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
		Restated*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,520)	(2,439)
Purchase of intangible assets	(372)	(573)
Proceeds from disposal of property and equipment	95	-
Net cash used in investing activities	<u>(2,797)</u>	<u>(3,012)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(68)	(55)
Dividend paid	(5,000)	-
Net cash used in financing activities	<u>(5,068)</u>	<u>(55)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,153	4,825
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	17,292	12,467
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u><u>24,445</u></u>	<u><u>17,292</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>24,445</u></u>	<u><u>17,292</u></u>

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows associated with the origination of Takaful certificates, net of cash flows for payments of benefits and claims incurred for Takaful certificates, which are treated accordingly under the operating activities.

* Restated due to adoption of MFRS 17

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

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NOTES TO THE FINANCIAL STATEMENTS
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1 CORPORATE INFORMATION

The Company is engaged principally in underwriting Family Takaful, including investment-linked business. There were no significant changes in these activities of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The Company's registered office is at the 11th Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Company's principal place of business is at the 8th Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company effective from 2 October 2019. All three companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board in accordance with a resolution of the Directors on 19 March 2024.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The Company's financial statements were prepared under the historical cost convention, except as disclosed in this summary of material accounting policies and comply with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, and the provisions of the Companies Act 2016.

The company operates a Family Takaful business, involving the administration, management, and operation of Takaful arrangements under family Takaful certificates. This includes investment and savings components, retakaful business, and activities outlined in paragraph 5(4)(a) of the Islamic Financial Services Act.

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 on the occurrence of pre-agreed events. 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 appointed to represents the participants in managing the funds (including the relevant assets and liabilities) towards the purpose outlined above.

The Company earns a wakalah fees to manage the takaful certificates issued by the Family funds under the principles of Wakalah and may be remunerated in the form of annual management fees for investment-linked family takaful plan under wakalah bi al-istithmar. Investment profit sharing is based on Mudharabah, with varying ratios depending on the product design. However, the company does not share losses unless is due to the Company's negligence or misconduct.

The inclusion of separate financial information of the Takaful funds together with the Company's financial information as a whole in the statement of financial position, the statement of comprehensive income, as well as certain relevant notes to the financial statements represent additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act, 2013 in Malaysia to separate assets, liabilities, income, and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful funds and Company are uniform for transactions and events in similar circumstances.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the Company's accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

(a) Standards, amendments to published standards and interpretations that are effective:

New standard that is effective and was adopted

The amendments and improvements to published standards and interpretations that the Company have adopted for the first-time for the financial year beginning on or after 1 January 2023 are as follows:

- (i) MFRS 17 Insurance Contracts
- (ii) Amendments to MFRS 17 Insurance Contracts
- (iii) Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 Insurance Contracts)
- (iv) MFRS 9 Financial Instruments
- (v) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on “Disclosure of Accounting Policies” and “Definition of Accounting Estimates”
- (vi) Amendments to MFRS 112 International Tax Reform—Pillar Two Model Rules

The adoption of these amendments did not have any material impact to the Company's financial statements, other than as disclosed in Note 26 of the effects on adoption of MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments.

(b) Standards, amendments to published standards and interpretation to existing standards that are not yet effective but available for early adoption:

Several new standards and amendments to standards and interpretations are effective for annual periods after 1 January 2024. None of these are expected to have a material effect on the financial statements of the Company, except for the following as set out below:

- Amendments to MFRS 101 “Classification of liabilities as current or non-current” (effective 1 January 2024) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretation to existing standards that are not yet effective but available for early adoption (continued):

The amendments shall be applied retrospectively. There is no financial impact of this amendment to the Company.

- Amendments to MFRS 101 “Non-current Liabilities with Covenants” (effective 1 January 2024) specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The amendments shall be applied retrospectively. There is no financial impact of this amendment to the Company.

2.2 Summary of material accounting policies

(a) Property and equipment

All items of property and equipment are initially recorded at cost. 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 charged to profit or loss during the financial year in which they are incurred.

After initial recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Computer equipment	3 years
Motor vehicles	3 years

Work-in-progress is not depreciated until the asset is ready for its intended use.

The residual values, useful lives, and depreciation methods are reviewed at each financial year-end to ensure that the amount, method, and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(e) on impairment of assets.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) Intangible assets

The Company's intangible assets consist of computer software and an exclusive partnership fee.

Computer software

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives of three to five years.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(e)(ii) on impairment of non-financial assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Exclusive partnership fee

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The exclusive partnership agreement provides the Company with an exclusive right to the use of the partnership network. The fee for this right is amortised over its partnership agreement term (10 years) using the straight-line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(e)(ii) on impairment of non-financial assets.

(c) Financial assets

Initial recognition

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, except for financial assets recorded at fair value through profit or loss. Management also determines the classification of a financial asset at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the marketplace.

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NOTES TO THE FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(c) Financial assets (continued)

Classification and measurement

Before 1 January 2023, the Company classified its financial assets at FVTPL, AFS and financing and receivables (FAR), as explained in Note 2(c)(iii) respectively.

From 1 January 2023, the Company classifies financial assets into three primary measurement categories: Fair Value through Profit or Loss ("FVTPL"), Fair Value Through Other Comprehensive Income ("FVOCI") and amortised cost.

The classification of financial assets is generally based on the Company's business model in which a financial asset is managed ("business model test") and its contractual cash flow characteristics ("SPPI test") as below:

(i) Business model assessment

The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company determines their business model at the level best reflects how groups of financial assets are managed together to achieve its business objective.

The Company does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. The business model is typically observable through the activities that the Company undertakes to achieve the objective of the business model. The observable factors include but not limited to:

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- the expected frequency value and timing of sales are also important aspects of the Company's assessment; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stressed case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Any previously recognised gains, losses or profit should not be restated.

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NOTES TO THE FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(c) Financial assets (continued)

(ii) SPPI test

Upon determination of business model, the Company will assess the contractual terms of financial asset to identify whether they meet the SPPI test.

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

The most significant elements of profit within a lending arrangement are typically, the consideration of the time value of money and credit risk. The Company applies judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set in assessing the SPPI.

(iii) Classification of financial assets

The categories include financial assets at FVTPL, AFS, amortised cost and FAR at amortised cost (policy applicable before 1 January 2023).

Financial assets at FVTPL

Before 1 January 2023, financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Company classifies assets acquired for the purpose of selling in the short term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked-funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

From 1 January 2023, financial assets at FVTPL are those financial assets that are held for trading or financial assets that qualify for neither held at Amortised Cost nor at FVOCI. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both collect contractual cash flows and sell. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(c) Financial assets (continued)

(iii) Classification of financial assets (continued)

Financial assets at FVTPL (continued)

After initial recognition, financial assets at FVTPL are measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include profit and dividend income. Profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of investment income respectively.

Financial assets at FVOCI (Policy applicable after 1 January 2023)

The Company applies the new category under MFRS 9 of debt instruments measured at FVOCI when those financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and profit.

These instruments largely comprise assets that had previously been classified as available-for-sale financial assets under MFRS 139.

Included in financial assets at FVOCI are debts instruments which are measured at fair value. Profit and dividend income on financial assets at FVOCI are recognised separately in profit or loss as investment income respectively. Fair value gains and losses of financial assets at FVOCI, net of income tax are recognised directly in other comprehensive income, except for impairment losses.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are reclassified to the profit or loss as net realised gains or losses on financial assets at FVOCI.

Financial assets at AFS (Policy applicable before 1 January 2023)

AFS are non-derivative financial assets designated as available-for-sale or not classified in any of the two preceding categories. These financial assets are initially recognised at fair value. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of AFS, net of income tax are recognised directly in other comprehensive income, except for impairment losses.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the profit or loss as net realised gains or losses on AFS financial assets.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(c) Financial assets (continued)

(iii) Classification of financial assets (continued)

Financial assets at amortised cost (Policy applicable after 1 January 2023)

From 1 January 2023, the Company measures financial assets at amortised cost for those financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and profit.

After initial recognition, financial assets at amortised cost are measured at amortised cost using effective interest method, less impairment loss. Profit and dividend income on financial assets at amortised cost are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. On derecognition or impairment, any gains or losses are recognised in profit or loss.

FAR at amortised cost (Policy applicable before 1 January 2023)

FAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, FAR are measured at amortised cost, using the effective yield method, less impairment loss. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

(d) Fair value of financial instruments

The fair value of financial instruments actively traded in organised financial markets is determined by reference to quoted market bid prices on the date of the statement of financial position.

For investments in real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors, and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(d) Fair value of financial instruments (continued)

The fair value of Government Investment Issues, Cagamas Sukuk, and unquoted Sukuk are based on indicative fair market prices or indexes by reference to quotations provided by banks and rating agencies.

The fair value of floating rate and overnight deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued profit. The fair value of fixed profit/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments as of the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets.

(e) Impairment

(i) Financial assets (Policy applicable from 1 January 2023)

The Company assesses the impairment of financial assets based on an Expected Credit Loss ("ECL") model. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable as well as supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL model applies to financial assets measured at amortised cost or at FVOCI, which include debts instruments held by the Company.

MFRS 9 requires the provisioning for a 12-month ECL if, at reporting date, the credit risk of the financial assets has not increased significantly since initial recognition. Otherwise, provisioning for a lifetime ECL is required.

The measurement of ECL involves increased complexity and judgement that include:

(a) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Company generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

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NOTES TO THE FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (Policy applicable from 1 January 2023) (continued)

(a) Determining a significant increase in credit risk since initial recognition (continued)

Stage 1: 12-months ECL – not credit-impaired

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

Stage 3: Lifetime ECL – credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that assets have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

(b) Forward-looking information and ECL measurement

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

Financial assets at FVOCI and amortised cost

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

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

- Financial assets measured at FVTPL;
- Equity instruments; and
- Local federal governments and local central banks issued bonds, Treasury Bills and Notes. Low credit risk on the basis that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities in all jurisdictions.

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NOTES TO THE FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(e) Impairment (continued)

(ii) Financial assets (Policy applicable before 1 January 2023)

The Company assesses at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed as of the date of the statement of financial position.

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(e) Impairment (continued)

(iii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment as of the date of the statement of financial position. The impairment loss is charged to profit or loss unless it reverses a previous revaluation, in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(f) Derecognition of financial assets

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

(g) Equity instruments

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares and preference shares classified as equity instruments are recognised as a liability and deducted from equity when they are declared.

Dividends for the financial year that are declared after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

(h) Takaful and Retakaful Certificates classification

The Company issues takaful certificates in the normal course of business, under which it accepts significant takaful risk from its certificate holders. As a general guideline, the Company determines whether it has significant takaful risk, by comparing present value of benefits payable after an insured event with present value of benefits payable if the insured event had not occurred. Ratio of 105% and above means the products covered significant takaful risk.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(i) Separating components from takaful and retakaful certificates

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

MFRS 17 defines investment components as the amounts that a takaful certificates requires a takaful operator to repay to a participant in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the takaful certificates of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from takaful revenue and takaful expenses. The surrender options are considered non distinct investment components as the Company is unable to measure the value of the surrender option component separately from the family takaful portion of the certificate.

Some retakaful certificates held contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the participant will always receive - either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The profit commission components have been assessed to be highly interrelated with the takaful component of the retakaful certificates and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

(ii) Level of aggregation

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

The Company has defined portfolios of takaful and retakaful certificates held based on how the takaful liabilities are managed and the similar risk type covered since the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing latest actuarial valuation models which take into consideration existing in force business.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(ii) Level of aggregation (continued)

In determining groups of certificates, the Company has elected to include in the same group certificates where its ability to set prices or levels of benefits for participants with different characteristics is constrained by regulation.

The groups of certificates for which the fair value approach has been adopted on transition include certificates issued more than one year apart. Please refer to the transition approach applied by the Company in Note 26.

The takaful certificates issued portfolios are divided into:

- A group of certificates that are onerous at initial recognition
- A group of certificates that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining certificates in the portfolio

The retakaful certificates held portfolios are divided into:

- A group of certificates on which there is a net gain on initial recognition
- A group of certificates that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining certificates in the portfolio

(iii) Recognition

The Company recognises groups of takaful certificates that it issues from the beginning of the coverage period of the group of certificates.

This Company treats the recognition date be the same for profitable and onerous group of certificates.

The Company recognises a group of retakaful certificates held it has entered based on the beginning of the coverage period of the group of retakaful certificates held. However, the Company delays the recognition of a group of retakaful certificates held that provide proportionate coverage until the date when any underlying takaful certificate is initially recognised, if that date is later than the beginning of the coverage period of the group of retakaful certificates held.

Most of the retakaful certificates held by the Company provide proportionate cover. Therefore, the Company does not recognise a proportional retakaful certificate held until at least one underlying direct takaful certificate has been recognised.

The Company treats the retakaful certificates that provide non-proportionate cover to be based on the beginning of the coverage period of the group of retakaful certificates held.

The Company adds new certificates to the group in the reporting period in which that certificate meets the criteria set out above.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(iv) Certificate boundary

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

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

Both of the following criteria are satisfied:

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

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

(v) Takaful certificates – Initial and subsequent measurement

MFRS 17 introduces three new measurement models, reflecting a different extent of participant participation in investment performance or overall takaful operator performance. The general measurement model (“GMM”), also known as the building block approach (“BBA”), consists of the fulfilment cash flows (“FCF”) and the contractual service margin (“CSM”), both held as liability for remaining coverage (“LFRC”). The FCF represents the risk-adjusted present value of an entity’s rights and obligations to the participants, comprising estimates of expected future cash flows, discounting and risk adjustment (“RA”) for non-financial risk. The CSM represents the unearned profit from in-force certificates that an entity will recognise as it provides services over the coverage period. The contractual service margin is adjusted for changes in cash flows related to future services (operating assumption change) and grows by profit accretion at locked-in profit rates at initial recognition. A release from the CSM is recognised in profit or loss each period to reflect the services provided in that period. If the CSM is unable to absorb the changes in cash flows related to future services, a loss component is established for the group of contracts.

The variable fee approach (“VFA”) is a mandatory modification of the GMM regarding the treatment of the contractual service margin in order to accommodate direct participating certificates, if the following three requirements are met: the contractual terms specify that the participant participates in a share of a clearly identified pool of underlying items; the entity expects to pay to the participant an amount equal to a substantial share of the fair value returns on the underlying items; the entity expects a substantial proportion of any change in the amounts to be paid to the participant to vary with the change in fair value of the underlying items.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(v) Takaful certificates – Initial and subsequent measurement (continued)

For certificates with direct participation features (“DPF”), the contractual service margin is adjusted for changes in the amount of the entity’s share of the fair value of the underlying items arising from operating assumption change and adjustment for financial risks.

The premium allocation approach (“PAA”) is an optional simplified measurement model in MFRS 17 when the approach provides a measurement which is not materially different from that under the GMM or if the coverage period of each certificate in the group of takaful certificates is one year or less. Under the PAA, the LFRC is measured as the amount of contribution received net of acquisition cash flows paid, less the net amount of contribution and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

In determining the measurement models, firstly the Company can choose to use PAA if at the inception of the certificate, the coverage period of each takaful certificate in the group of takaful certificates is one year or less. Alternatively, the Company can still apply PAA if they can reasonably expect that such simplification can produce a measurement of the LFRC which would not differ materially as compared to the LFRC computed under the GMM by performing the PAA Eligibility Testing. Should the Company’s group of takaful certificates fail the PAA and VFA eligibility test, GMM will be used as the measurement model of that group of takaful certificates.

At the end of a reporting period, the carrying amount of a group of takaful certificates is the sum of the LFRC and the liability of incurred claims (“LFIC”).

LFIC consists of fulfilment cash flows related to past services, including claims that have been incurred but not yet reported. The measurement of the LFIC is identical under all three measurement models.

Estimates of future cash flows

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

The estimate of expected future cash flows includes all cash flows that are within the certificate boundary including:

- Contributions and related cash flows
- Claims and benefits
- An allocation of takaful acquisition cash flows attributable to the portfolio to which the certificate belongs
- Claims handling costs

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(v) Takaful certificates – Initial and subsequent measurement (continued)

Estimates of future cash flows (continued)

The estimate of expected future cash flows includes all cash flows that are within the certificate boundary including: (continued)

- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries
- An allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates
- Transaction-based taxes

Risk Adjustment for non-financial risk

The RA for non-financial risk represents the compensation that the Company require for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful certificates and covers takaful risk, lapse risk and expense risk. The risk adjustment reflects an amount that a takaful operator would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. The Company estimates the risk adjustment by referencing to provision of risk margin for adverse deviation (PRAD) technique. The PRAD technique requires the Company to estimate the probability distribution of the fulfilment cash flows, and the additional provision that it requires at each future date in the cash flow projection to comply with the statutory reserving requirements. Besides that, the Company have decided to disaggregate the change in RA between the takaful service result and takaful finance income or expenses for GMM measured takaful certificates.

Contractual Service Margin

The CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Company will recognise as it provides services in the future.

- CSM balances at transition date will be described in Note 25
- CSM post transition date is determined as the profit at the time of issues

An amount of the CSM releases for a group of takaful certificates is recognised in profit or loss as takaful revenue in each period to reflect the takaful certificate services provided under the group of takaful certificates in that period. The amount is determined by:

- Identifying the coverage units for the current and future period.
- Recognising in profit or loss the amount allocated to coverage units provided in the current period

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(v) Takaful certificates – Initial and subsequent measurement (continued)

Contractual Service Margin (continued)

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

For retakaful certificates held, the CSM amortisation is similar to the takaful certificates issued and the coverage units is the sum at risk covered by retakaful.

Loss components

Where, during the coverage period, a group of takaful certificates becomes onerous, the Company recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to note 2(i)(ix).

Modification and derecognition

The Company derecognises takaful certificates when:

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

(vi) 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 Shareholders' fund to the participants' risk fund. In the participants' risk fund, the Qard is included in the 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 Shareholders' fund.

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

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(vii) Presentation

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

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

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

The Company does disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion.

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

Takaful revenue

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

- Expected Takaful service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage
- Amounts related to income tax that are specifically chargeable to the participant
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The CSM release
- Amounts related to takaful acquisition cash flows

For management judgement applied to the amortisation of CSM, please refer to note 2(i)(v).

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(vii) Presentation (continued)

Benefits and claims expenses

Benefits and claims incurred during the financial year are recognised when a claimable event occurs and/or the Takaful operator is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and, for this purpose, the amounts payable under a Family Takaful certificate are recognised as follows:

- maturity and other certificate benefit payments due on specified dates are treated as benefits payable on the due dates;
- death, surrender, and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- benefits payable under the Investment-linked funds are in respect of net cancellation of units and are recognised as surrenders; and
- surplus sharing of Takaful certificates in the financial year when surplus arises.

Retakaful claims are recognised when the related gross Takaful claim is recognised according to the terms of the relevant retakaful certificates.

Unallocated surplus

Surpluses of certificates under the surplus sharing Family Takaful fund are attributable to certificate holders and shareholders, and the amount and timing of distribution to both the certificate holders and shareholders are determined by an actuarial valuation of the long-term liabilities to certificate holders as of the date of the statement of financial position and is made in accordance with the provisions of the Islamic Financial Services Act 2013 and the related regulations by the Company's Appointed Actuary.

Surpluses in the non-surplus sharing fund arising during the financial year are recognised in the statement of comprehensive income, and the unallocated surplus at the end of the financial year are held in the Takaful certificate liabilities.

Unallocated surpluses of the surplus sharing funds where the amount of surplus allocation to the certificate holders has yet to be determined by the end of the financial year are held within the Takaful certificate liabilities.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(viii) Presentation (continued)

Loss components

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

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

Takaful finance income or expenses

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

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

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

The Company does not disaggregate takaful finance income or expenses between profit or loss and OCI due to low market and profit risk exposed.

The Company systematically allocates expected total takaful finance income or expenses over the duration of the group of certificates to profit or loss using discount rates determined on initial recognition of the group of certificates, please refer Note 21 for current discount rates.

Net income or expense from retakaful certificates held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from retakaful operators, and an allocation of the retakaful contribution paid.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Takaful and Retakaful Certificates accounting treatment (continued)

(vii) Presentation (continued)

Net income or expense from retakaful certificates held (continued)

The Company treats retakaful cash flows that are contingent on claims on the underlying certificates as part of the claims that are expected to be reimbursed under the retakaful certificates held and excludes investment components from an allocation of retakaful contributions presented on the face of the statement of profit or loss and other comprehensive income. Amounts relating to the recovery of losses relating to retakaful of onerous direct certificates are included as amounts recoverable from the retakaful.

(j) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the Company's control or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the Company's control. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(k) Other revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Profit income

Profit income is recognised using the effective profit rate method.

Other profit income, including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised costs and are recorded on occurrence of the sale transactions.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(l) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profits and surplus for the financial year and is measured using the tax rates enacted as of the date of the statement of financial position. Current tax is recognised in profit or loss. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses, and unused tax credits to the extent it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be used.

Deferred tax is measured at the tax rates expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted as of the date of the statement of financial position.

Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

(m) 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 the statement of financial position and adjusted to reflect the current best estimate.

(n) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the Company's employees.

(ii) Post-employment benefits

The Company's contributions to the Employees' Provident Fund (EPF), the national defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions are paid, the Company has no further payment obligations.

(iii) Share-based payment plan

Certain employees of the Company are granted a share-based payment plan as consideration for services rendered.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(n) Employee benefits (continued)

(iii) Share-based payment plan (continued)

The share-based payment plan is based on the value of Sun Life Financial Inc.'s (SLF) common shares as disclosed in Note 13(c)(i) to the financial statements. The total liabilities for this plan are computed based on the estimated number of SLF's common shares expected to vest at the end of the vesting period. The liabilities are recomputed at the end of each reporting period and are measured at the fair value of SLF's common shares at the reporting date. The liabilities are accrued and expensed on a straight-line basis over the vesting periods. The liabilities are settled in cash at the end of the vesting period.

(o) Zakat

This represents the amount of 2.5% of profit before tax (PBT) from the Shareholder's fund, which the Company allocates to the zakat authorities, as approved by the Company's Shariah Committee.

(p) Other financial liabilities

Other financial liabilities are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective yield method.

(q) Cash and cash equivalents

Cash and cash equivalents consist of cash in-hand and balances at bank and deposits held at call with financial institutions with original maturities of 3 months or less. It excludes deposits which are held for investment purposes.

(r) Leases

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

Certificates may contain both lease and non-lease components. The Company allocates the consideration in the certificate 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).

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(r) Leases (continued)

(i) Lease term (continued)

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

(ii) Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:

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

Right-of-use assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The right-of-use 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 right-of-use asset is depreciated over the underlying asset's useful life. In addition, the right-of-use assets are adjusted for certain remeasurement of the lease liabilities.

While the Company revalues land and building (presented as part of property and equipment) it owns, it has chosen not to revalue the right-of-use building held by the Company.

(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 incentives receivable;
- 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 it and the Company exercises 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 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 right-of-use assets in a similar economic environment with similar terms, security, and conditions.

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

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(r) Leases (continued)

(iii) Lease liabilities (continued)

The Company presents the lease liabilities as a separate line item in the statement of financial position. Finance costs on the lease liability is presented within the statement of profit or loss.

2.3 Material accounting judgements, estimates, and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, as of the date of the statement of financial position. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in any future period. These factors could include:

(a) Critical judgements made in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required for items where choice of a specific policy could materially affect the Company's reported results and financial position. However, the Directors are of the opinion that there are currently no accounting policies that require the exercise of significant judgement.

(b) Key sources of estimation uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Estimated impairment of intangible asset

The Company tests annually whether the intangible assets on partnership fee is impaired by measuring the recoverable amount of the cash generating units based on the value-in-use method, which requires the use of the estimates of future cash flow projections and discount rate. Changes to the assumption used by Management, particularly the discount rate, may affect the results of the impairment assessment.

(ii) Impairment losses on financial assets

The measurement of impairment losses under MFRS 9 across relevant financial assets requires judgement, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by outcome of modelled ECL scenarios and the relevant inputs used.

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2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Material accounting judgements, estimates, and assumptions (continued)

(c) Key sources of estimation uncertainty and assumptions (continued)

(iii) Takaful and retakaful certificates

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

The methods used to measure takaful certificates

The Company primarily uses deterministic projections to estimate the present value of future cash flows based on the current assumptions, reflecting the best estimate at the time of its determination plus a risk adjustment for non-financial risks.

The following assumptions were used when estimating future cash flows:

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates, and discount rates. The Company bases mortality and morbidity on established Malaysian industry tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets, and own claims severity and frequency experiences.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rate and fund growth rates for Family Takaful certificates and investment-linked certificates are based on Government Investment Issues (GII) plus an illiquidity premium.

The key assumptions above are further described in Note 21.

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3 PROPERTY AND EQUIPMENT

<u>Company</u>	<u>Note</u>	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>					
At 1 January 2022		628	287	329	1,244
Additions		-	284	2,155	2,439
Reclassification of work-in-progress to intangible assets	4	-	-	(1,089)	(1,089)
At 31 December 2022/ 1 January 2023		628	571	1,395	2,594
Additions		13	-	2,507	2,520
Disposals		-	(287)	-	(287)
Reclassification of work-in-progress to intangible assets	4	-	-	(1,964)	(1,964)
At 31 December 2023		641	284	1,938	2,863
<u>Accumulated depreciation</u>					
At 1 January 2022		628	286	-	914
Charge for the financial year	13(c)	-	24	-	24
At 31 December 2022/ 1 January 2023		628	310	-	938
Charge for the financial year	13(c)	1	95	-	96
Disposals		-	(287)	-	(287)
At 31 December 2023		629	118	-	747
<u>Net carrying amount</u>					
31 December 2023		12	166	1,938	2,116
31 December 2022		-	261	1,395	1,656

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4 INTANGIBLE ASSETS

<u>Company</u>	<u>Note</u>	Computer software RM'000	Partnership Fee RM'000	Total RM'000
<u>Cost</u>				
At 1 January 2022		17,646	37,130	54,776
Addition		573	-	573
Reclassification from Property and Equipment	3	1,089	-	1,089
At 31 December 2022/1 January 2023		19,308	37,130	56,438
Addition		372	-	372
Reclassification from Property and Equipment	3	1,964	-	1,964
At 31 December 2023		21,644	37,130	58,774
<u>Accumulated amortisation</u>				
At 1 January 2022		15,994	15,431	31,425
Amortisation for the financial year	13(c)	1,172	3,638	4,810
At 31 December 2022/1 January 2023		17,166	19,069	36,235
Amortisation for the financial year	13(c)	1,684	3,638	5,322
At 31 December 2023		18,850	22,707	41,557
<u>Accumulated allowance for impairment loss</u>				
At 1 January 2022		-	250	250
Allowance for impairment loss		-	-	-
At 31 December 2022/1 January 2023		-	250	250
Allowance for impairment loss		-	-	-
At 31 December 2023		-	250	250
<u>Net carrying amount</u>				
31 December 2023		2,794	14,173	16,967
31 December 2022		2,142	17,811	19,953

Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the key assumptions used in the cash flow projections in respect of the Partnership Fee to change significantly that would result in impairment.

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5 INVESTMENTS: FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS/
AVAILABLE-FOR-SALE FINANCIAL ASSETS/ FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL
ASSETS

	Family Takaful Fund		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Government Investment Issues	331,675	251,214	676,370	501,679
Cagamas Sukuk	10,225	10,203	10,225	10,203
Unquoted Sukuk	1,524,032	1,174,152	1,787,814	1,421,603
Quoted equity securities	97,472	75,318	105,746	80,947
Unit trust funds	624,008	537,014	624,008	537,014
Total	2,587,412	2,047,901	3,204,163	2,551,446

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

	Family Takaful Fund		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
FVOCI/AFS	1,865,932	1,435,569	2,474,409	1,933,485
FVTPL financial assets	721,480	612,332	729,754	617,961
Total	2,587,412	2,047,901	3,204,163	2,551,446

The following financial assets are expected to be realised after 12 months:

	Family Takaful Fund		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
FVOCI/AFS	1,845,794	1,405,397	2,414,103	1,903,313

(a) FVOCI/AFS

	Family Takaful Fund		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Government Investment Issues	331,675	251,214	676,370	501,679
Cagamas Sukuk	10,225	10,203	10,225	10,203
Unquoted Sukuk	1,524,032	1,174,152	1,787,814	1,421,603
Total	1,865,932	1,435,569	2,474,409	1,933,485

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**5 INVESTMENTS: FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS/
AVAILABLE-FOR-SALE FINANCIAL ASSETS/ FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL
ASSETS (CONTINUED)**

(b) FVTPL financial assets

	Family Takaful Fund		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Quoted equity securities	97,472	75,318	105,746	80,947
Unit trust funds	624,008	537,014	624,008	537,014
Total	721,480	612,332	729,754	617,961

(c) Carrying values of financial assets

	Note	FVOCI/AFS	FVTPL	Company
		Family Takaful Fund	Family Takaful Fund	
		RM'000	RM'000	RM'000
At 1 January 2022		1,173,966	653,626	2,261,981
Purchases		428,926	201,486	787,924
Maturities		(30,099)	-	(85,974)
Disposals		(113,346)	(113,725)	(248,337)
Fair value gains recorded in:				
Profit or loss	15(a)(iii)	-	(129,055)	(129,770)
Other comprehensive income		(25,592)	-	(36,484)
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds		-	-	852
Movement in accrued profit		2,291	-	2,500
Amortisation adjustments	15(a)(i)	(577)	-	(1,246)
At 31 December 2022 / 1 January 2023		1,435,569	612,332	2,551,446
Purchases		480,159	126,774	708,682
Maturities		(30,044)	-	(30,044)
Disposals		(86,202)	(105,085)	(194,637)
Fair value gains recorded in:				
Profit or loss	15(a)(iii)	-	87,459	88,024
Other comprehensive income		62,609	-	76,616
Movement in accrued profit		4,931	-	6,344
Amortisation adjustments	15(a)(i)	(1,090)	-	(2,268)
At 31 December 2023		1,865,932	721,480	3,204,163

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5 **INVESTMENTS: FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS/
AVAILABLE-FOR-SALE FINANCIAL ASSETS/ FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL
ASSETS (CONTINUED)**

(d) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

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

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company can access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as profit rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which are not market observable, including assumptions about risk.

There are no movements in Levels 1 and 2 of the fair value hierarchy for the financial year ended 31 December 2023.

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2023:

(d) Fair value hierarchy (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>31.12.2023</u>			
<u>Family Takaful Fund</u>			
<u>FVOCI financial assets</u>			
Government Investment Issues	-	331,675	331,675
Cagamas Sukuk	-	10,225	10,225
Unquoted Sukuk	-	1,524,032	1,524,032
<u>FVTPL financial assets</u>			
Quoted equity securities	97,472	-	97,472
Unit trust funds	624,008	-	624,008
	<u>721,480</u>	<u>1,865,932</u>	<u>2,587,412</u>

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5 INVESTMENTS: FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS/
AVAILABLE-FOR-SALE FINANCIAL ASSETS/ FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL
ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>31.12.2023</u>	.		
<u>Company</u>			
<u>FVOCI financial assets</u>			
Government Investment Issues	-	676,370	676,370
Cagamas Sukuk	-	10,225	10,225
Unquoted Sukuk	-	1,787,814	1,787,814
<u>FVTPL financial assets</u>			
Quoted equity securities	105,746	-	105,746
Unit trust funds	624,008	-	624,008
	<u>729,754</u>	<u>2,474,409</u>	<u>3,204,163</u>
<u>31.12.2022</u>			
<u>Family Takaful Fund</u>			
<u>AFS financial assets</u>			
Government Investment Issues	-	251,214	251,214
Cagamas Sukuk	-	10,203	10,203
Unquoted Sukuk	-	1,174,152	1,174,152
<u>FVTPL financial assets</u>			
Quoted equity securities	75,318	-	75,318
Unit trust funds	537,014	-	537,014
	<u>612,332</u>	<u>1,435,569</u>	<u>2,047,901</u>
<u>Company</u>			
<u>AFS financial assets</u>			
Government Investment Issues	-	501,679	501,679
Cagamas Sukuk	-	10,203	10,203
Unquoted Sukuk	-	1,421,603	1,421,603
<u>FVTPL financial assets</u>			
Quoted equity securities	80,947	-	80,947
Unit trust funds	537,014	-	537,014
	<u>617,961</u>	<u>1,933,485</u>	<u>2,551,446</u>

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6 INVESTMENTS: AMORTISED COST FINANCIAL ASSETS

<u>2023</u>	<u>Family Takaful Fund RM'000</u>	<u>Company RM'000</u>
Fixed and call deposits with licensed financial institutions	156,516	172,956
Receivable within 12 months	156,516	172,956
<u>2022</u>	<u>Family Takaful Fund RM'000</u>	<u>Company RM'000</u>
Fixed and call deposits with licensed financial institutions	149,266	181,675
Receivable within 12 months	149,266	181,675

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

There are no fixed and call deposits pledged to a financial institution for a bank guarantee facility as at 31 December 2023 (2022: Nil).

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7 TAKAFUL AND RETAKAFUL CERTIFICATES

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

	31.12.2023			31.12.2022 (Restated)		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
<u>Family Takaful Fund</u>						
Takaful certificates not measured under the PAA	(146,441)	2,887,957	2,741,516	(156,938)	2,378,488	2,221,550
Takaful certificates measured under the PAA	-	3,641	3,641	(140)	3,210	3,070
Takaful certificate (assets)/liabilities	(146,441)	2,891,598	2,745,157	(157,078)	2,381,698	2,224,620
Retakaful certificates not measured under the PAA	(69,381)	255	(69,126)	(36,039)	-	(36,039)
Retakaful certificates measured under the PAA	(5,064)	6,104	1,040	(12,053)	2,175	(9,878)
Retakaful certificate (assets)/liabilities	(74,445)	6,359	(68,086)	(48,092)	2,175	(45,917)
<u>Company</u>						
Takaful certificates not measured under the PAA	(364,028)	3,047,328	2,683,300	(354,705)	2,466,662	2,111,957
Takaful certificates measured under the PAA	(115)	3,640	3,525	(178)	3,276	3,098
Takaful certificate (assets)/liabilities	(364,143)	3,050,968	2,686,825	(354,883)	2,469,938	2,115,055
Retakaful certificates not measured under the PAA	(69,381)	255	(69,126)	(36,039)	-	(36,039)
Retakaful certificates measured under the PAA	(4,781)	6,104	1,323	(11,770)	2,175	(9,595)
Retakaful certificate (assets)/liabilities	(74,162)	6,359	(67,803)	(47,809)	2,175	(45,634)

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.1.1 Takaful certificates issued

The roll-forward of the net asset or liability for takaful certificates issued 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:

	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	Excluding Loss Component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	Total
Family Takaful Fund	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January										
Takaful certificate liabilities	1,943,948	-	434,540	-	2,378,488	1,658,128	-	440,074	-	2,098,202
Takaful certificate assets	(1,919)	-	(155,019)	-	(156,938)	986	-	(157,086)	-	(156,100)
Net takaful certificate liabilities as at 1 January	1,942,029	-	279,521	-	2,221,550	1,659,114	-	282,988	-	1,942,102
Impact of first adoption of MFRS 9 (Note 26)	5	-	-	-	5	-	-	-	-	-
Net takaful certificate liabilities as at 1 January (Restated)	1,942,034	-	279,521	-	2,221,555	1,659,114	-	282,988	-	1,942,102
Takaful revenue	(369,678)	-	-	-	(369,678)	(283,028)	-	-	-	(283,028)
Takaful service expense	68,678	-	306,087	-	374,765	21,234	-	280,174	-	301,408
Surplus to Participants Account	24,358	-	(24,358)	-	-	18,716	-	(18,716)	-	-
Investment components	(167,058)	-	167,058	-	-	(146,917)	-	146,917	-	-
Takaful service result	(443,700)	-	448,787	-	5,087	(389,995)	-	408,375	-	18,380

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.1 Roll-forward of net asset or liability for 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)

7.1.1 Takaful certificates issued (continued)

	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	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
<u>Family Takaful Fund</u>										
Takaful finance expenses	211,609	-	-	-	211,609	(108,324)	-	-	-	(108,324)
Total changes in the statement of profit or loss	(232,091)	-	448,787	-	216,696	(498,319)	-	408,375	-	(89,944)
Cash flows										
Contributions received	1,010,824	-	-	-	1,010,824	1,029,223	-	-	-	1,029,223
Claims and other expenses paid including investment components	(235,054)	-	(472,505)	-	(707,559)	(247,989)	-	(411,842)	-	(659,831)
Total cash flows	775,770	-	(472,505)	-	303,265	781,234	-	(411,842)	-	369,392
Net takaful certificate liabilities as at 31 December	2,485,713	-	255,803	-	2,741,516	1,942,029	-	279,521	-	2,221,550
Takaful certificate liabilities	2,479,282	-	408,675	-	2,887,957	1,943,948	-	434,540	-	2,378,488
Takaful certificate assets	6,431	-	(152,872)	-	(146,441)	(1,919)	-	(155,019)	-	(156,938)
Net takaful certificate liabilities as at 31 December	2,485,713	-	255,803	-	2,741,516	1,942,029	-	279,521	-	2,221,550

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.1 Roll-forward of net asset or liability for 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)

7.1.1 Takaful certificates issued (continued)

Company	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	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
At 1 January										
Takaful certificate liabilities	1,989,305	42,695	434,662	-	2,466,662	1,657,126	1,141	440,126	-	2,098,393
Takaful certificate assets	(199,711)	-	(154,994)	-	(354,705)	(209,659)	-	(156,990)	-	(366,649)
Net takaful certificate liabilities as at 1 January	1,789,594	42,695	279,668	-	2,111,957	1,447,467	1,141	283,136	-	1,731,744
Impact of first adoption of MFRS 9 (Note 26)	5	-	-	-	5	-	-	-	-	-
Net takaful certificate liabilities as at 1 January (Restated)	1,789,599	42,695	279,668	-	2,111,962	1,447,467	1,141	283,136	-	1,731,744
Takaful revenue	(414,935)	-	-	-	(414,935)	(278,392)	-	-	-	(278,392)
Takaful service expense	94,512	27,674	261,899	-	384,085	29,222	41,670	241,722	-	312,614
Surplus to Participants Account	24,358	-	(24,358)	-	-	18,716	-	(18,716)	-	-
Investment components	(167,064)	-	167,064	-	-	(146,917)	-	146,917	-	-
Takaful service result	(463,129)	27,674	404,605	-	(30,850)	(377,371)	41,670	369,923	-	34,222

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.1 Roll-forward of net asset or liability for 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)

7.1.1 Takaful certificates issued (continued)

Company	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	Excluding Loss Component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	Total
Takaful finance expenses	222,064	(710)	-	-	221,354	(106,935)	(116)	-	-	(107,051)
Total changes in the statement of profit or loss	(241,065)	26,964	404,605	-	190,504	(484,306)	41,554	369,923	-	(72,829)
Cash flows										
Contributions received	1,079,966	-	-	-	1,079,966	1,094,541	-	-	-	1,094,541
Claims and other expenses paid including investment components	(270,841)	-	(428,291)	-	(699,132)	(268,108)	-	(373,391)	-	(641,499)
Total cash flows	809,125	-	(428,291)	-	380,834	826,433	-	(373,391)	-	453,042
Net takaful certificate liabilities as at 31 December	2,357,659	69,659	255,982	-	2,683,300	1,789,594	42,695	279,668	-	2,111,957
Takaful certificate liabilities	2,568,872	69,659	408,797	-	3,047,328	1,989,305	42,695	434,662	-	2,466,662
Takaful certificate assets	(211,213)	-	(152,815)	-	(364,028)	(199,711)	-	(154,994)	-	(354,705)
Net takaful certificate liabilities as at 31 December	2,357,659	69,659	255,982	-	2,683,300	1,789,594	42,695	279,668	-	2,111,957

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.1 Roll-forward of net asset or liability for 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)

7.1.2 Retakaful certificates held

	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
<u>Family Takaful Fund</u>										
At 1 January										
Retakaful certificate assets	(49,838)	-	85,877	-	36,039	(60,495)	-	101,800	-	41,305
Retakaful certificate liabilities	-	-	-	-	-	(130)	-	-	-	(130)
Net retakaful certificate (liabilities)/assets as at 1 January	(49,838)	-	85,877	-	36,039	(60,625)	-	101,800	-	41,175
Allocation of retakaful contributions	(68,235)	-	-	-	(68,235)	(74,641)	-	-	-	(74,641)
Amounts recoverable from retakaful operators	-	-	79,976	-	79,976	-	-	66,852	-	66,852
Retakaful investment components	(208)	-	208	-	-	(143)	-	143	-	-
Net (expense)/income from retakaful certificates held	(68,443)	-	80,184	-	11,741	(74,784)	-	66,995	-	(7,789)
Retakaful finance income	197	-	-	-	197	155	-	-	-	155
Total changes in the statement of profit or loss	(68,246)	-	80,184	-	11,938	(74,629)	-	66,995	-	(7,634)

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.1 Roll-forward of net asset or liability for 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)

7.1.2 Retakaful certificates held (continued)

	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
<u>Family Takaful Fund</u>										
Cash flows										
Contributions paid	48,494	-	-	-	48,494	85,416	-	-	-	85,416
Claims and benefits recovered	-	-	(27,345)	-	(27,345)	-	-	(82,918)	-	(82,918)
Total cash flows	48,494	-	(27,345)	-	21,149	85,416	-	(82,918)	-	2,498
Net retakaful certificate (liabilities)/assets as at 31 December	(69,590)	-	138,716	-	69,126	(49,839)	-	85,877	-	36,039
Retakaful certificate assets	(69,656)	-	139,037	-	69,381	(49,838)	-	85,877	-	36,039
Retakaful certificate liabilities	66	-	(321)	-	(255)	-	-	-	-	-
Net retakaful certificate (liabilities)/assets as at 31 December	(69,590)	-	138,716	-	69,126	(49,838)	-	85,877	-	36,039

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.1 Roll-forward of net asset or liability for 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)

7.1.2 Retakaful certificates held (continued)

Company	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
At 1 January										
Retakaful certificate assets	(49,838)	-	85,877	-	36,039	(60,495)	-	101,800	-	41,305
Retakaful certificate liabilities	-	-	-	-	-	(130)	-	-	-	(130)
Net retakaful certificate (liabilities)/assets as at 1 January	(49,838)	-	85,877	-	36,039	(60,625)	-	101,800	-	41,175
Allocation of retakaful contributions	(68,235)	-	-	-	(68,235)	(74,641)	-	-	-	(74,641)
Amounts recoverable from retakaful operators	-	-	80,022	-	80,022	-	-	66,905	-	66,905
Retakaful investment components	(208)	-	208	-	-	(143)	-	143	-	-
Net (expense)/income from retakaful certificates held	(68,443)	-	80,230	-	11,787	(74,784)	-	67,048	-	(7,736)
Retakaful finance income	197	-	-	-	197	155	-	-	-	155
Total changes in the statement of profit or loss	(68,246)	-	80,230	-	11,984	(74,629)	-	67,048	-	(7,581)

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.1 Roll-forward of net asset or liability for 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)

7.1.2 Retakaful certificates held (continued)

Company	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
Cash flows										
Contributions paid	48,494	-	-	-	48,494	85,416	-	-	-	85,416
Claims and benefits recovered	-	-	(27,391)	-	(27,391)	-	-	(82,971)	-	(82,971)
Total cash flows	48,494	-	(27,391)	-	21,103	85,416	-	(82,971)	-	2,445
Net retakaful certificate (liabilities)/assets as at 31 December	(69,590)	-	138,716	-	69,126	(49,838)	-	85,877	-	36,039
Retakaful certificate assets	(69,656)	-	139,037	-	69,381	(49,838)	-	85,877	-	36,039
Retakaful certificate liabilities	66	-	(321)	-	(255)	-	-	-	-	-
Net retakaful certificate (liabilities)/assets as at 31 December	(69,590)	-	138,716	-	69,126	(49,838)	-	85,877	-	36,039

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.2 Roll-forward of the net asset or liability for takaful certificates issued and retakaful certificates held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for certificates not measured under PAA.

7.2.1 Takaful certificate issued

The table below presents a roll-forward of the net asset or liability for takaful certificates issued showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for portfolios included in the Family Takaful Fund and Company.

	31.12.2023				31.12.2022 (Restated)			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful Fund								
At 1 January								
Takaful certificate liabilities	2,378,488	-	-	2,378,488	2,098,202	-	-	2,098,202
Takaful certificate assets	(156,938)	-	-	(156,938)	(156,100)	-	-	(156,100)
Net takaful certificate liabilities as at 1 January	2,221,550	-	-	2,221,550	1,942,102	-	-	1,942,102
Impact of first adoption of MFRS 9 (Note 26)	5	-	-	5	-	-	-	-
Net takaful certificate liabilities as at 1 January (Restated)	2,221,555	-	-	2,221,555	1,942,102	-	-	1,942,102
Changes that relate to current services								
Experience adjustments	17,413	-	-	17,413	29,847	-	-	29,847
Changes that relate to past services								
Adjustments to liabilities for incurred claims	(12,326)	-	-	(12,326)	(11,467)	-	-	(11,467)
Takaful service result	5,087	-	-	5,087	18,380	-	-	18,380
Takaful finance expenses	211,609	-	-	211,609	(108,324)	-	-	(108,324)
Total changes in the statement of profit or loss	216,696	-	-	216,696	(89,944)	-	-	(89,944)
Cash flows								
Contributions received	1,010,823	-	-	1,010,823	1,029,225	-	-	1,029,225
Claims and other expenses paid including investment components	(707,558)	-	-	(707,558)	(659,833)	-	-	(659,833)
Total cash flows	303,265	-	-	303,265	369,392	-	-	369,392
Net takaful certificate liabilities as at 31 December	2,741,516	-	-	2,741,516	2,221,550	-	-	2,221,550
Takaful certificate liabilities	2,887,957	-	-	2,887,957	2,378,488	-	-	2,378,488
Takaful certificate assets	(146,441)	-	-	(146,441)	(156,938)	-	-	(156,938)
Net takaful certificate liabilities as at 31 December	2,741,516	-	-	2,741,516	2,221,550	-	-	2,221,550

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.2 Roll-forward of the net asset or liability for takaful certificates issued and retakaful certificates held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for certificates not measured under PAA. (continued)

7.2.1 Takaful certificate issued (continued)

Company	31.12.2023				31.12.2022 (Restated)			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January								
Takaful certificate liabilities	2,275,832	23,182	167,648	2,466,662	2,097,093	620	680	2,098,393
Takaful certificate assets	(382,925)	16,497	11,723	(354,705)	(429,165)	36,441	26,075	(366,649)
Net takaful certificate liabilities as at 1 January	1,892,907	39,679	179,371	2,111,957	1,667,928	37,061	26,755	1,731,744
Impact of first adoption of MFRS 9 (Note 26)	5	-	-	5	-	-	-	-
Net takaful certificate liabilities as at 1 January (Restated)	1,892,912	39,679	179,371	2,111,962	1,667,928	37,061	26,755	1,731,744
Changes that relate to current services								
Contractual service margin recognised for services provided	-	-	(15,387)	(15,387)	-	-	(7,904)	(7,904)
Risk adjustment for the risk expired	-	(27,782)	-	(27,782)	-	(27,890)	-	(27,890)
Experience adjustments	22,989	-	(29,987)	(6,998)	46,392	-	(8,667)	37,725
	22,989	(27,782)	(45,374)	(50,167)	46,392	(27,890)	(16,571)	1,931
Changes that relate to future services								
Certificates initially recognised in the period	(216,775)	26,065	187,646	(3,064)	(209,329)	30,439	176,958	(1,932)
Changes in estimates that adjust the contractual service margin	88,118	581	(88,699)	-	11,809	272	(12,081)	-
Changes in estimates that do not adjust the contractual service margin	32,828	1,844	-	34,672	46,817	(1,006)	-	45,811
	(95,829)	28,490	98,947	31,608	(150,703)	29,705	164,877	43,879
Changes that relate to past services								
Adjustments to liabilities for incurred claims	(12,291)	-	-	(12,291)	(11,588)	-	-	(11,588)
Takaful service result	(85,131)	708	53,573	(30,850)	(115,899)	1,815	148,306	34,222
Takaful finance expenses	209,052	2,038	10,264	221,354	(112,164)	803	4,310	(107,051)
Total changes in the statement of profit or loss	123,921	2,746	63,837	190,504	(228,063)	2,618	152,616	(72,829)

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.2 Roll-forward of the net asset or liability for takaful certificates issued and retakaful certificates held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for certificates not measured under PAA. (continued)

7.2.1 Takaful certificate issued (continued)

Company	31.12.2023				31.12.2022 (Restated)			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
Cash flows								
Contributions received	1,079,966	-	-	1,079,966	1,094,543	-	-	1,094,543
Claims and other expenses paid including investment components	(699,132)	-	-	(699,132)	(641,501)	-	-	(641,501)
Total cash flows	380,834	-	-	380,834	453,042	-	-	453,042
Net takaful certificate liabilities as at 31 December	2,397,667	42,425	243,208	2,683,300	1,892,907	39,679	179,371	2,111,957
Takaful certificate liabilities	2,791,512	24,781	231,035	3,047,328	2,275,832	23,182	167,648	2,466,662
Takaful certificate assets	(393,845)	17,644	12,173	(364,028)	(382,925)	16,497	11,723	(354,705)
Net takaful certificate liabilities as at 31 December	2,397,667	42,425	243,208	2,683,300	1,892,907	39,679	179,371	2,111,957

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.2 Roll-forward of the net asset or liability for takaful certificates issued and retakaful certificates held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for certificates not measured under PAA. (continued)

7.2.2 Retakaful certificates held

	31.12.2023				31.12.2022 (Restated)			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>								
Retakaful certificate assets	36,039	-	-	36,039	41,305	-	-	41,305
Retakaful certificate liabilities	-	-	-	-	(130)	-	-	(130)
Net retakaful certificate assets as at 1 January	36,039	-	-	36,039	41,175	-	-	41,175
Changes that relate to current services								
Experience adjustments	(18,542)	-	-	(18,542)	(10,970)	-	-	(10,970)
Changes that relate to past services								
Changes in amounts recoverable arising from changes in liability	30,283	-	-	30,283	3,181	-	-	3,181
Net income from retakaful certificates held	11,741	-	-	11,741	(7,789)	-	-	(7,789)
Retakaful finance income	197	-	-	197	155	-	-	155
Total changes in the statement of profit or loss	11,938	-	-	11,938	(7,634)	-	-	(7,634)
Cash flows								
Contributions paid	48,495	-	-	48,495	84,720	-	-	84,720
Claims and benefits received	(27,346)	-	-	(27,346)	(82,222)	-	-	(82,222)
Total cash flows	21,149	-	-	21,149	2,498	-	-	2,498
Net retakaful certificate assets as at 31 December	69,126	-	-	69,126	36,039	-	-	36,039
At 31 December								
Retakaful certificate assets	69,381	-	-	69,381	36,039	-	-	36,039
Retakaful certificate liabilities	(255)	-	-	(255)	-	-	-	-
Net retakaful certificate assets as at 31 December	69,126	-	-	69,126	36,039	-	-	36,039

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.2 Roll-forward of the net asset or liability for takaful certificates issued and retakaful certificates held showing estimates of the present value of future cash flows, risk adjustment and Contractual Service Margin for certificates not measured under PAA. (continued)

7.2.2 Retakaful certificates held (continued)

Company	31.12.2023				31.12.2022 (Restated)			
	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retakaful certificate assets	36,039	-	-	36,039	41,305	-	-	41,305
Retakaful certificate liabilities	-	-	-	-	(130)	-	-	(130)
Net retakaful certificate assets as at 1 January	36,039	-	-	36,039	41,175	-	-	41,175
Changes that relate to current services								
Experience adjustments	(18,496)	-	-	(18,496)	(10,917)	-	-	(10,917)
Changes that relate to past services								
Changes in amounts recoverable arising from changes in liability	30,283	-	-	30,283	3,181	-	-	3,181
Net income from retakaful certificates held	11,787	-	-	11,787	(7,736)	-	-	(7,736)
Retakaful finance income	197	-	-	197	155	-	-	155
Total changes in the statement of profit or loss	11,984	-	-	11,984	(7,581)	-	-	(7,581)
Cash flows								
Contributions paid	48,495	-	-	48,495	84,720	-	-	84,720
Claims and benefits recovered	(27,392)	-	-	(27,392)	(82,275)	-	-	(82,275)
Total cash flows	21,103	-	-	21,103	2,445	-	-	2,445
Net retakaful certificate assets as at 31 December	69,126	-	-	69,126	36,039	-	-	36,039
At 31 December								
Retakaful certificate assets	69,381	-	-	69,381	36,039	-	-	36,039
Retakaful certificate liabilities	(255)	-	-	(255)	-	-	-	-
Net retakaful certificate assets as at 31 December	69,126	-	-	69,126	36,039	-	-	36,039

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.1 Takaful certificates issued

The roll-forward of the net asset or liability for takaful certificates issued 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:

	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	Excluding Loss Component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	Total
Family Takaful Fund	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January										
Takaful certificate liabilities	12	-	3,191	7	3,210	-	-	272	-	272
Takaful certificate assets	(140)	-	-	-	(140)	(117)	-	-	-	(117)
Net takaful certificate (assets) / liabilities as at 1 January	(128)	-	3,191	7	3,070	(117)	-	272	-	155
Takaful revenue	(1,167)	-	-	-	(1,167)	(771)	-	-	-	(771)
Takaful service expense	312	-	2,987	(18)	3,281	254	-	4,387	7	4,648
Surplus to Participants Account	1	-	(1)	-	-	12	-	(12)	-	-
Investment components	-	-	-	-	-	-	-	-	-	-
Takaful service result	(854)	-	2,986	(18)	2,114	(505)	-	4,375	7	3,877
Takaful finance expenses	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss	(854)	-	2,986	(18)	2,114	(505)	-	4,375	7	3,877

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued 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)

	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	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
Family Takaful Fund										
Cash flows										
Contributions received	1,175	-	-	-	1,175	748	-	-	-	748
Claims and other expenses paid including investment components	(312)	-	(2,406)	-	(2,718)	(254)	-	(1,456)	-	(1,710)
Total cash flows	863	-	(2,406)	-	(1,543)	494	-	(1,456)	-	(962)
Net takaful certificate (assets) / liabilities as at 31 December	(119)	-	3,771	(11)	3,641	(128)	-	3,191	7	3,070
At 31 December										
Takaful certificate liabilities	(119)	-	3,771	(11)	3,641	12	-	3,191	7	3,210
Takaful certificate assets	-	-	-	-	-	(140)	-	-	-	(140)
Net takaful certificate (assets) / liabilities as at 31 December	(119)	-	3,771	(11)	3,641	(128)	-	3,191	7	3,070

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued 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	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	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
At 1 January										
Takaful certificate liabilities	39	7	3,223	7	3,276	35	-	407	-	442
Takaful certificate assets	(154)	-	(24)	-	(178)	(117)	-	15	1	(101)
Net takaful certificate (assets) / liabilities as at 1 January	(115)	7	3,199	7	3,098	(82)	-	422	1	341
Takaful revenue	(1,517)	-	-	-	(1,517)	(817)	-	-	-	(817)
Takaful service expense	113	1	2,992	(18)	3,088	111	7	4,388	6	4,512
Surplus to Participants Account	1	-	(1)	-	-	12	-	(12)	-	-
Investment components	-	-	-	-	-	-	-	-	-	-
Takaful service result	(1,403)	1	2,991	(18)	1,571	(694)	7	4,376	6	3,695
Takaful finance expenses	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss	(1,403)	1	2,991	(18)	1,571	(694)	7	4,376	6	3,695

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued 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)

Company	31.12.2023					31.12.2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims			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	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
Cash flows										
Contributions received	1,176	-	-	-	1,176	752	-	-	-	752
Claims and other expenses paid including investment components	139	-	(2,459)	-	(2,320)	(91)	-	(1,599)	-	(1,690)
Total cash flows	1,315	-	(2,459)	-	(1,144)	661	-	(1,599)	-	(938)
Net takaful certificate (assets) / liabilities as at 31 December	(203)	8	3,731	(11)	3,525	(115)	7	3,199	7	3,098
At 31 December										
Takaful certificate liabilities	(127)	8	3,770	(11)	3,640	39	7	3,223	7	3,276
Takaful certificate assets	(76)	-	(39)	-	(115)	(154)	-	(24)	-	(178)
Net takaful certificate (assets) / liabilities as at 31 December	(203)	8	3,731	(11)	3,525	(115)	7	3,199	7	3,098

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.2 Retakaful certificates held

The roll-forward of the net asset or liability for retakaful certificates held 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:

	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
Family Takaful Fund										
At 1 January										
Retakaful certificate assets	2,115	-	9,938	-	12,053	(3,873)	-	8,697	-	4,824
Retakaful certificate liabilities	(2,826)	-	651	-	(2,175)	(808)	-	393	-	(415)
Net retakaful certificate (liabilities)/assets as at 1 January	(711)	-	10,589	-	9,878	(4,681)	-	9,090	-	4,409
Allocation of retakaful contributions	(11,743)	-	-	-	(11,743)	(2,996)	-	-	-	(2,996)
Amounts recoverable from retakaful operators	(69)	-	(127)	-	(196)	(20)	-	10,650	-	10,630
Retakaful investment components	-	-	-	-	-	-	-	-	-	-
Net (expense)/income from retakaful certificates held	(11,812)	-	(127)	-	(11,939)	(3,016)	-	10,650	-	7,634
Retakaful finance income	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss	(11,812)	-	(127)	-	(11,939)	(3,016)	-	10,650	-	7,634

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.2 Retakaful certificates held (continued)

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

	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
Family Takaful Fund										
Cash flows										
Contributions paid	11,602	-	-	-	11,602	6,986	-	-	-	6,986
Claims and benefits recovered	-	-	(10,581)	-	(10,581)	-	-	(9,151)	-	(9,151)
Total cash flows	11,602	-	(10,581)	-	1,021	6,986	-	(9,151)	-	(2,165)
Net retakaful certificate (liabilities)/assets as at 31 December	(921)	-	(119)	-	(1,040)	(711)	-	10,589	-	9,878
At 31 December										
Retakaful certificate assets	3,760	-	1,304	-	5,064	2,115	-	9,938	-	12,053
Retakaful certificate liabilities	(4,681)	-	(1,423)	-	(6,104)	(2,826)	-	651	-	(2,175)
Net retakaful certificate (liabilities)/assets as at 31 December	(921)	-	(119)	-	(1,040)	(711)	-	10,589	-	9,878

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held 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	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
At 1 January										
Retakaful certificate assets	2,115	-	9,655	-	11,770	(3,873)	-	8,414	-	4,541
Retakaful certificate liabilities	(2,826)	-	651	-	(2,175)	(808)	-	393	-	(415)
Net retakaful certificate (liabilities)/assets as at 1 January	(711)	-	10,306	-	9,595	(4,681)	-	8,807	-	4,126
Allocation of retakaful contributions	(11,743)	-	-	-	(11,743)	(2,996)	-	-	-	(2,996)
Amounts recoverable from retakaful operators	(69)	-	(127)	-	(196)	(20)	-	10,650	-	10,630
Retakaful investment components	-	-	-	-	-	-	-	-	-	-
Net (expense)/income from retakaful certificates held	(11,812)	-	(127)	-	(11,939)	(3,016)	-	10,650	-	7,634
Retakaful finance income	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss	(11,812)	-	(127)	-	(11,939)	(3,016)	-	10,650	-	7,634

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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

7.3.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held 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)

Company	31.12.2023					31.12.2022 (Restated)				
	Assets for remaining coverage		Amount recoverable on incurred claims			Assets for remaining coverage		Amount recoverable on incurred claims		
	Excluding Loss-recovery Component	Loss recovery Component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding Loss-recovery Component	Loss recovery 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
Cash flows										
Contributions paid	11,602	-	-	-	11,602	6,986	-	-	-	6,986
Claims and benefits recovered	-	-	(10,581)	-	(10,581)	-	-	(9,151)	-	(9,151)
Total cash flows	11,602	-	(10,581)	-	1,021	6,986	-	(9,151)	-	(2,165)
Net retakaful certificate (liabilities)/assets as at 31 December	(921)	-	(402)	-	(1,323)	(711)	-	10,306	-	9,595
At 31 December										
Retakaful certificate assets	3,760	-	1,021	-	4,781	2,115	-	9,655	-	11,770
Retakaful certificate liabilities	(4,681)	-	(1,423)	-	(6,104)	(2,826)	-	651	-	(2,175)
Net retakaful certificate (liabilities)/assets as at 31 December	(921)	-	(402)	-	(1,323)	(711)	-	10,306	-	9,595

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.4 The impacts on the current period of transition approaches adopted to establishing CSMs

7.4.1 Takaful certificates issued

The impact on the current period of the transition approaches adopted to establishing CSMs for takaful certificates portfolios included in the Company is disclosed in the table below.

Company	31.12.2023				31.12.2022 (Restated)			
	Certificates using the modified retrospective approach	Certificates using the fair value approach	All other certificates	Total	Certificates using the modified retrospective approach	Certificates using the fair value approach	All other certificates	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Contractual service margin as at 1 January	-	22,039	157,332	179,371	-	26,755	-	26,755
Changes that relate to current services								
Contractual service margin recognised for services provided	-	(7,558)	(37,816)	(45,374)	-	(2,861)	(13,710)	(16,571)
Changes that relate to future services								
Certificates initially recognised in the period	-	-	187,646	187,646	-	-	176,958	176,958
Changes in estimates that adjust the contractual service margin	-	(1,967)	(86,732)	(88,699)	-	(3,021)	(9,060)	(12,081)
Takaful finance expenses	-	215	10,049	10,264	-	1,166	3,144	4,310
Total changes in the statement of profit or loss and OCI	-	(9,310)	73,147	63,837	-	(4,716)	157,332	152,616
Contractual service margin as at 31 December	-	12,729	230,479	243,208	-	22,039	157,332	179,371

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.5 The components of new business

7.5.1 Takaful certificates issued

The components of new business for takaful certificates issued portfolios included in the Company is disclosed in table below.

	31.12.2023					31.12.2022 (Restated)				
	Certificates Issued		Certificates Acquired		Total	Certificates Issued		Certificates Acquired		Total
	Non- onerous RM'000	Onerous RM'000	Non- onerous RM'000	Onerous RM'000		Non- onerous RM'000	Onerous RM'000	Non- onerous RM'000	Onerous RM'000	
<u>Company</u>										
Estimate of present value of future cash outflows, excluding takaful acquisition cash flows	135,672	3,087	-	-	138,759	126,780	1,000	-	-	127,780
Estimates of takaful acquisition cash flows	267,326	21,438	-	-	288,764	281,825	21,468	-	-	303,293
Estimate of present value of future cash outflows	402,998	24,525	-	-	427,523	408,605	22,468	-	-	431,073
Estimates of present value of future cash inflows	(613,581)	(30,717)	-	-	(644,298)	(614,916)	(25,486)	-	-	(640,402)
Risk adjustment	22,937	3,128	-	-	26,065	29,353	1,085	-	-	30,438
CSM	187,646	-	-	-	187,646	176,958	-	-	-	176,958
Amount included in takaful certificate liabilities for the period	-	(3,064)	-	-	(3,064)	-	(1,933)	-	-	(1,933)

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7 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

7.6 Timing of CSM recognition in profit or loss

	<u>< 1 year</u> RM'000	<u>1-2 years</u> RM'000	<u>2-3 years</u> RM'000	<u>3-4 years</u> RM'000	<u>4-5 years</u> RM'000	<u>> 5 years</u> RM'000	<u>Total</u> RM'000
<u>Company</u>							
31 December 2023							
Family takaful certificates issued	<u>41,947</u>	<u>20,373</u>	<u>16,970</u>	<u>15,870</u>	<u>14,462</u>	<u>133,586</u>	<u>243,208</u>
31 December 2022							
Family takaful certificates issued	<u>37,663</u>	<u>15,642</u>	<u>11,395</u>	<u>10,892</u>	<u>10,065</u>	<u>93,714</u>	<u>179,371</u>

The Company expects to recognise the CSM in profit or loss for existing contracts as shown in the table above, which represents the coverage period for the certificates in force issued by the Company.

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8 OTHER RECEIVABLES

Note	31.12.2023		31.12.2022	
	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000 Restated	Company RM'000 Restated
Amount due from related parties	-	-	759	759
Dividend receivable	168	180	380	402
Tax recoverable ¹	5,359	7,776	5,359	7,776
Other receivables	2,415	5,029	61,256	62,605
	7,942	12,985	67,754	71,542
Less: Allowance for impairment	-	(90)	-	(90)
	7,942	12,895	67,754	71,452
Receivable within 12 months	7,942	12,895	67,754	71,452

¹ Inland Revenue Board of Malaysia and the Company have reached the consensus and finalized settlement agreement pertaining to profit commission. A refund of RM7,967,366 for YA2013-YA2017 has been received in January 2024.

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

Amount due from related party is unsecured, profit free and has no fixed repayment terms.

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9 DEFERRED TAX (LIABILITIES)/ ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	31.12.2023		31.12.2022	
	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000 Restated	Company RM'000 Restated
Deferred tax (liabilities)/ assets	(5,402)	(27,120)	6,542	(13,881)
Current	-	(21,732)	-	(23,593)
Non-current	(5,402)	(5,388)	6,542	9,712
	<u>(5,402)</u>	<u>(27,120)</u>	<u>6,542</u>	<u>(13,881)</u>

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9 DEFERRED TAX (LIABILITIES)/ ASSETS (CONTINUED)

The movement in deferred tax (liabilities)/ assets are as follows:

	Note	Family Takaful Fund		Company	
		2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
At 1 January		6,542	(5,971)	(13,881)	(5,639)
Impact of first-time adoption of MFRS 9 /MFRS 17	26	5	-	6	(49,396)
At 1 January (Restated)		6,547	(5,971)	(13,875)	(55,035)
<u>(Charged)/credited to profit of loss:</u>					
Property and equipment		4	94	191	62
FVTPL financial assets		(6,944)	10,371	(6,927)	10,697
Provision of expenses		-	-	3,702	14,879
Takaful certificate liabilities		-	-	(1,841)	10,854
Taxation	16	(6,940)	10,465	(4,875)	36,492
<u>(Charged)/credited to other comprehensive income</u>					
FVOCI/ AFS financial assets		(5,009)	2,048	(8,370)	4,662
31 December		(5,402)	6,542	(27,120)	(13,881)

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9 DEFERRED TAX (LIABILITIES)/ ASSETS (CONTINUED)

The composition of deferred tax (liabilities)/ assets before and after appropriate offsetting, is as follows:

	31.12.2023		31.12.2022	
	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000 Restated	Company RM'000 Restated
<u>Subject to income tax:</u>				
<u>Deferred tax liabilities (before offsetting)</u>				
Financial assets	(5,254)	(5,458)	-	-
Property and equipment	(148)	-	(152)	(184)
Takaful certificate liabilities	-	(40,383)	-	(38,542)
	(5,402)	(45,841)	(152)	(38,726)
Offsetting	-	18,721	152	24,845
Deferred tax liabilities (after offsetting)	(5,402)	(27,120)	-	(13,881)
<u>Deferred tax assets (before offsetting)</u>				
Financial assets	-	-	6,694	9,833
Property and equipment	-	7	-	-
Provision of expense	-	18,714	-	15,012
	-	18,721	6,694	24,845
Offsetting	-	(18,721)	(152)	(24,845)
Deferred tax assets (after offsetting)	-	-	6,542	-

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10 OTHER PAYABLES

	31.12.2023		31.12.2022	
	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000 Restated	Company RM'000 Restated
<u>2023</u>				
Amount due to related parties	-	20,064	-	20,285
Amount due to fund managers	432	432	21,234	21,234
Interfund balances	31,291	-	22,653	-
Deposits received	3,966	3,966	4,992	4,992
Surplus sharing to Takaful Operator	42,629	-	52,273	-
Sharing of investment income from Participants' Account	7,934	-	4,696	-
Accrual for sales and marketing expenses	-	63,509	-	54,837
Other payables and accrued liabilities	7,051	33,396	3,411	23,364
	<u>93,303</u>	<u>121,367</u>	<u>109,259</u>	<u>124,712</u>
Payable within 12 months	<u>93,303</u>	<u>121,367</u>	<u>109,259</u>	<u>124,712</u>

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

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11 SHARE CAPITAL

	31.12.2023		31.12.2022	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Issued and paid up</u>				
Ordinary shares with no par value:				
At 1 January	140,000	239,990	140,000	239,990
Islamic Perpetual Non-Cumulative Preference Shares (PPS) with no par value:				
At 1 January	100	10	100	10
At 31 December	140,100	240,000	140,100	240,000

Features of the Islamic Perpetual Non-Cumulative Preference Shares (IPPS)

The IPPS are subordinated and unsecured obligations of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The IPPS shall not represent any fixed charge on the earnings of the Company and shall carry no right to vote at any general meeting of the ordinary Shareholders of the Company.

The IPPS confers on the holder the right to receive a non-cumulative gross dividend of 8% per annum, payable annually in arrears on the anniversary of the issue date of the IPPS. The payment of dividend on the IPPS is at the Company's discretion.

The IPPS are not convertible to ordinary shares of the Company and the tenure of the IPPS is perpetual and redeemable after year 5 (33,000 in year 2015 and 67,000 in year 2016) at the sole option of the Company subject to Bank Negara Malaysia's approval. At the date of this report, the Company has yet to exercise its redemption option.

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12 TAKAFUL REVENUE

The table below presents an analysis of the total takaful revenue recognised in the period.

	Note	Family Takaful Fund		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Certificates not measured under PAA					
Amounts relating to the changes in the liability for remaining coverage					
Expected claims and takaful service expenses incurred in the period		264,426	273,760	207,273	211,691
Change in the risk adjustment for non-financial risk		-	-	24,651	26,197
Amount of CSM recognised in profit or loss		-	-	45,413	16,571
Other amounts		36,574	(11,966)	43,086	(5,288)
Amounts relating to recovery of takaful acquisition cash flows		68,678	21,234	94,512	29,221
Takaful revenue – certificates not measured under PAA	7.1.1	369,678	283,028	414,935	278,392
Takaful revenue – certificates measured under PAA	7.3.1	1,167	771	1,517	817
Total takaful revenue		370,845	283,799	416,452	279,209

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13 TAKAFUL SERVICE EXPENSES

	Note	Family Takaful Fund		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Incurring claims and other takaful service expenses		139,524	122,956	222,239	193,910
Incurring takaful benefits payable in the form of hibah		-	-	12	8
Incurring wakalah fees		76,367	52,456	-	-
Incurring surplus to Shareholder's Fund		42,623	52,268	-	-
Incurring surplus to participants		42,623	52,268	42,623	52,268
Incurring investment profits to Shareholder's Fund		7,920	4,690	-	-
Amortisation of acquisition cash flows		68,989	21,418	94,624	29,263
Losses on onerous certificates and reversal of losses on onerous certificates		-	-	27,675	41,677
Total takaful service expenses		378,046	306,056	387,173	317,126
Represented by:					
Certificates not measured under PAA	7.1.1	374,765	301,408	384,085	312,614
Certificates measured under PAA	7.3.1	3,281	4,648	3,088	4,512
		378,046	306,056	387,173	317,126

Notes:

- a. The wakalah fees paid to Shareholders' Fund during the year was RM355,569,000 (2022: RM316,698,000).
- b. The surplus paid to Shareholders' Fund and certificate holders during the year were RM52,268,000 (2022: RM11,539,000) respectively.

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13 TAKAFUL SERVICE EXPENSES (CONTINUED)

c. The breakdown of expenses incurred by the Shareholders' Fund:

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>Shareholders' Fund</u>		RM'000	RM'000
Staff salaries and bonus		76,778	68,542
Defined contribution plan		10,886	9,684
Share based payment plan	13(c)(i)	2,105	1,835
Other staff costs		5,627	5,289
		<u>95,396</u>	<u>85,350</u>
Auditors' remuneration:			
Statutory audit			
- current financial year		595	405
Audit related services		500	500
Tax services		53	43
Directors' fees and other emoluments:	13(c)(ii)		
- current financial year		718	658
Shariah Committee remuneration:			
- fees		214	221
Amortisation of intangible assets	4	5,322	4,810
Amortisation of right-of-use assets		67	67
Depreciation of property and equipment	3	96	24
Third party administrator fee		393	302
Printing and stationery		952	1,548
Sales and marketing expenses		96,417	97,333
Advertising cost		8,943	6,108
Professional fees		890	1,624
Electronic data processing expenses		10,929	11,857
Other expenses		15,684	14,527
Management expenses		237,169	225,377
Commission expenses		154,765	133,901
Other operating expenses		145	244
		<u>392,079</u>	<u>359,522</u>
Less: Amount attributed to acquisition cash flows		(312,632)	(290,751)
Add: Amortisation of acquisition cash flows		94,624	29,263
		<u>174,071</u>	<u>98,034</u>
Represented by:			
Takaful service expenses			
Maintenance expenses		79,302	68,527
Acquisition expenses		312,632	290,751
		<u>391,934</u>	<u>359,278</u>
Other operating expenses		145	244
		<u>392,079</u>	<u>359,522</u>

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13 TAKAFUL SERVICE EXPENSES (CONTINUED)

c. The breakdown of expenses incurred by the Shareholders' Fund: (continued)

(i) Share-based payment plan

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefits expense were as follows:

	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Sun Share Unit Plan	2,105	1,835

Sun Share Units (SSU) are granted to certain employees of the Company as part of the annual performance reward cycle and has a vesting period of over 36 months from grant date. Each SSU entitles the recipient to receive payment equal to the market value of common shares, plus credited dividends, at the time of vesting, subject to any performance conditions. These SSU expenses are paid out in cash at the end of the vesting period.

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13 TAKAFUL SERVICE EXPENSES (CONTINUED)

(ii) Directors' and Chief Executive Officer's remuneration

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows:

<u>Company</u>	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits-in- kind</u> RM'000	<u>Share-based payment plan</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2023</u>						
Chief Executive Officer:						
Encik Jeffry @ Azmi bin Mohd Shah	899	126	22	86	-	1,133
Executive Director:						
Ms Yeoh Eng Kim	-	-	-	-	-	-
Non-Executive Directors:						
Dato' Noorazman Bin Abd Aziz	-	-	-	-	198	198
Mr Ooi Say Teng	-	-	-	-	167	167
Ms Vivien Kusumowardhani	-	-	-	-	179	179
Datin K. Komalavalli A/P K.R. Gopal	-	-	-	-	174	174
	<u>899</u>	<u>126</u>	<u>22</u>	<u>86</u>	<u>718</u>	<u>1,851</u>

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13 TAKAFUL SERVICE EXPENSES (CONTINUED)

(ii) Directors' and Chief Executive Officer's remuneration (continued)

	Fixed remuneration		Variable remuneration		Total
	Cash-based RM'000	Cash-based RM'000	Share and share linked instruments RM'000	Benefits-in- kind RM'000	
<u>Total value of remuneration awards for the financial year:</u>					
<u>2023</u>					
Chief Executive Officer:					
Encik Jeffry @ Azmi bin Mohd Shah	710	315	86	22	1,133
Executive Director:					
Ms Yeoh Eng Kim	-	-	-	-	-
Non-Executive Directors:					
Dato' Noorazman Bin Abd Aziz	180	18	-	-	198
Mr Ooi Say Teng	150	17	-	-	167
Ms Vivien Kusumowardhani	160	19	-	-	179
Datin K. Komalavalli A/P K.R. Gopal	155	19	-	-	174
	<u>1,355</u>	<u>388</u>	<u>86</u>	<u>22</u>	<u>1,851</u>

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13 TAKAFUL SERVICE EXPENSES (CONTINUED)

(ii) Directors' and Chief Executive Officer's remuneration

<u>Company</u>	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits-in- kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
<u>2022</u>						
Chief Executive Officer:						
Encik Jeffry @ Azmi bin Mohd Shah (Appointed on 19 September 2022)/ Encik Muhammad Fikri bin Mohamad Rawi (Resigned on 13 January 2022)	211	30	7	79	-	327
	211	30	7	79	-	327
Executive Director:						
Mr Karim Gilani	-	-	-	-	-	-
Non-Executive Directors:						
Dato' Noorazman Bin Abd Aziz	-	-	-	-	126	126
Mr Ooi Say Teng	-	-	-	-	124	124
Ms Vivien Kusumowardhani	-	-	-	-	62	62
Datin K. Komalavalli A/P K.R. Gopal	-	-	-	-	54	54
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	-	-	-	-	69	69
Dato' Khodijah Binti Abdullah	-	-	-	-	98	98
Mr Wong Ah Kow	-	-	-	-	125	125
	211	30	7	79	658	985

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13 TAKAFUL SERVICE EXPENSES (CONTINUED)

(ii) Directors' and Chief Executive Officer's remuneration (continued)

	Fixed remuneration		Variable remuneration		Total
	Cash-based RM'000	Cash-based RM'000	Share and share linked instruments RM'000	Benefits-in- kind RM'000	
<u>Total value of remuneration awards for the financial year:</u>					
<u>2022</u>					
Chief Executive Officer:					
Encik Jeffry @ Azmi bin Mohd Shah/Encik Muhammad Fikri bin Mohamad Rawi	221	20	79	7	327
	221	20	79	7	327
Executive Director:					
Mr Karim Gilani	-	-	-	-	-
Non-Executive Directors:					
Dato' Noorazman Bin Abd Aziz	114	12	-	-	126
Mr Ooi Say Teng	113	11	-	-	124
Ms Vivien Kusumowardhani	56	6	-	-	62
Datin K. Komalavalli A/P K.R. Gopal	48	6	-	-	54
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	65	4	-	-	69
Dato' Khodijah Binti Abdullah	90	8	-	-	98
Mr Wong Ah Kow	115	10	-	-	125
	822	77	79	7	985

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were payments for shares and share-linked instruments amounting to RM91,000. (2022: Nil).

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13 TAKAFUL SERVICE EXPENSES (CONTINUED)

(iii) Shariah Committee Remuneration

	<u>Fee and allowance</u> RM'000
2023	
Shariah Committee:	
Sheikh Professor Dato' Dr Asmadi Mohamed Naim (Chairman)	48
Sheikh Azizi Che Seman	43
Sheikh Professor Dr. Abd Ghafar Ismail	42
Sheikh Dr. Md Nurdin Ngadimon (appointed on 1 April 2023)	30
Sheikh Dr Ghazali Jaapar (appointed on 1 April 2023)	30
Sheikh Professor Dato' Dr. Mohammad Hashim Kamali (retired on 31 March 2023)	10
Sheikh Mohd Fadhly Md Yusoff (retired on 31 March 2023)	11
	<u>214</u>
	<u>Fee and allowance</u> RM'000
2022	
Shariah Committee:	
Sheikh Professor Dato' Dr Asmadi Mohamed Naim (Chairman)	50
Sheikh Professor Dato' Dr. Mohammad Hashim Kamali	43
Sheikh Mohd Fadhly Md Yusoff	42
Sheikh Azizi Che Seman	43
Sheikh Professor Dr. Abd Ghafar Ismail	43
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14 NET EXPENSE FROM RETAKAFUL CERTIFICATES HELD

The table below presents an analysis of the net expense from retakaful certificates held recognised in the year.

	Note	Family Takaful Fund		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amounts relating to the changes in the assets for remaining coverage					
Expected recovery for takaful service expenses incurred in the period		(71,906)	(69,246)	(71,906)	(69,246)
Allocation of retakaful contributions under PAA		(11,743)	(2,996)	(11,743)	(2,996)
Other amount including experience adjustments		3,671	(5,395)	3,671	(5,395)
Allocation of retakaful contributions		(79,978)	(77,637)	(79,978)	(77,637)
Amounts recoverable for claims and other expenses incurred in the period					
Amounts recoverable for claims		74,079	82,892	74,125	82,945
Incurred unallocated surplus		(19,570)	(14,446)	(19,570)	(14,446)
Changes in amounts recoverable arising from changes in liability for incurred claims		25,256	7,516	25,256	7,516
Other amounts recoverable from retakaful operators		15	1,520	15	1,520
Amounts recoverable from retakaful operators		79,780	77,482	79,826	77,535
Net expense from retakaful certificates held		(198)	(155)	(152)	(102)
Allocation of retakaful contributions represented by:					
Certificates not measured under PAA	7.1.2	(68,235)	(74,641)	(68,235)	(74,641)
Certificates measured under PAA	7.3.2	(11,743)	(2,996)	(11,743)	(2,996)
		(79,978)	(77,637)	(79,978)	(77,637)
Amounts recoverable from retakaful operators represented by:					
Certificates not measured under PAA	7.1.2	79,976	66,852	80,022	66,905
Certificates measured under PAA	7.3.2	(196)	10,630	(196)	10,630
		79,780	77,482	79,826	77,535

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15 NET INVESTMENT INCOME/(EXPENSE) AND NET TAKAFUL FINANCIAL RESULT

The table below presents an analysis of net investment income/(expense) and net takaful financial result recognised in profit and loss and OCI during the year:

(a) Net investment income/(expense)

	Family Takaful Fund		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
(i) Investment income				
<u>FVOCI/AFS financial assets</u>				
Profit income	74,649	57,963	97,552	77,337
Amortisation of premiums – net	(1,090)	(577)	(2,268)	(1,246)
Expected credit loss	(148)	-	(171)	-
 <u>FVTPL financial assets</u>				
Dividend income	7,933	9,556	8,210	9,810
 <u>Amortised cost – fixed and call deposits with licensed financial institutions</u>				
Profit income	4,212	2,748	4,890	3,370
Other investment income	19	24	19	25
Investment related expenses	-	-	(830)	(531)
	<u>85,575</u>	<u>69,714</u>	<u>107,402</u>	<u>88,765</u>
 (ii) Net realised gains/(losses)				
<u>FVOCI/AFS financial assets</u>				
Unquoted Sukuk	89	(4,697)	89	(4,697)
Government Investment Issues	(86)	(3,630)	(86)	(4,005)
	<u>3</u>	<u>(8,327)</u>	<u>3</u>	<u>(8,702)</u>
 (iii) Net fair value gains/ (losses)				
<u>FVTPL financial assets</u>				
Realised losses	(3,100)	(5,483)	(3,304)	(6,117)
Unrealised gains/(losses)	87,459	(129,055)	88,024	(129,770)
	<u>84,359</u>	<u>(134,538)</u>	<u>84,720</u>	<u>(135,887)</u>
Net investment income / (expenses)	<u>169,937</u>	<u>(73,151)</u>	<u>192,125</u>	<u>(55,824)</u>

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15 **NET INVESTMENT INCOME/(EXPENSE) AND NET TAKAFUL FINANCIAL RESULT (CONTINUED)**

The table below presents an analysis of net investment income/(expense) and net takaful financial result recognised in profit and loss and OCI during the year: (continued)

(b) Net takaful financial result

	Family Takaful Fund		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Takaful finance (expenses)/income for takaful certificates issued				
Profit accreted to takaful certificates using current financial assumptions	(36,835)	(48,766)	(35,834)	(47,165)
Profit accreted to takaful certificates using locked-in rate	-	-	(3,194)	(1,407)
Effect of changes in profit rates and other financial assumptions	-	-	(5,565)	(941)
Changes in fair value of underlying assets of certificates measured under the VFA	(101,032)	105,390	(100,468)	105,390
Changes in fair value of underlying items	(57,748)	23,544	(57,748)	23,544
Others	(15,994)	28,156	(18,545)	27,630
Total takaful finance (expenses)/income for takaful certificates issued	(211,609)	108,324	(221,354)	107,051
Represented by:				
Amount recognised in profit or loss	(153,861)	84,780	(163,606)	83,507
Amount recognised in OCI	(57,748)	23,544	(57,748)	23,544
	(211,609)	108,324	(221,354)	107,051
Retakaful finance income for retakaful certificates held				
Profit accreted to takaful certificates using current financial assumptions	197	155	197	155
Total retakaful finance income for retakaful certificates held	197	155	197	155
Represented by:				
Amount recognised in profit or loss	197	155	197	155
Amount recognised in OCI	-	-	-	-
	197	155	197	155
Net takaful financial result	(211,412)	108,479	(221,157)	107,206
Represented by:				
Amount recognised in profit or loss	(153,664)	84,935	(163,409)	83,662
Amount recognised in OCI	(57,748)	23,544	(57,748)	23,544
	(211,412)	108,479	(221,157)	107,206

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16 TAXATION

	Note	2023		2022	
		Family Takaful Fund	Company	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000
Tax expense on the profit for the financial year:					
Income tax					
Current financial year		1,939	15,935	(40)	21,948
Under/(over) provision in prior financial years		30	(146)	(110)	(1,133)
		1,969	15,789	(150)	20,815
Deferred tax					
Relating to origination and reversal of temporary differences	9	6,940	4,875	(10,465)	(36,492)
		8,909	20,664	(10,615)	(15,677)
Tax expense/(credit) attributable to Shareholders					
		-	11,755	-	(5,062)
Tax expense/(credit) attributable to participants					
		8,909	8,909	(10,615)	(10,615)
		8,909	20,664	(10,615)	(15,677)

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

	2023 RM'000	2022 RM'000 Restated
Profit before taxation attributable to Shareholders	48,918	200
Taxation at Malaysian statutory tax rate 24% (2022:24%)	11,740	48
Income not subject to tax	(89)	(61)
Expenses not deductible for tax purposes	3,690	3,886
Section 110C tax credit set off	(3,410)	-
Over provision in prior financial years – Shareholders' Fund	(176)	(1,023)
Effect of changes in tax laws	-	(7,912)
Tax expense/(credit) attributable to Shareholders	11,755	(5,062)
Tax expense/(credit) attributable to participants	8,909	(10,615)
	20,664	(15,677)

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17 INVESTMENT-LINKED FUNDS

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows:

STATEMENT OF FINANCIAL POSITION

	<u>31.12.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
ASSETS		
Fair value through profit or loss financial assets	624,008	537,014
Other receivables	2,086	605
Cash and bank balances	13	20
Deferred tax assets	-	5,959
Current tax assets	182	225
	<u>626,289</u>	<u>543,823</u>
LIABILITIES		
Other liabilities	1,672	1,066
Deferred tax liabilities	864	-
	<u>2,536</u>	<u>1,066</u>
NET ASSET VALUE	<u>623,753</u>	<u>542,757</u>
REPRESENTED BY:		
CERTIFICATE HOLDERS' ACCOUNT		
At beginning of the financial year	542,757	539,174
Net creation of units	167,259	259,598
Net cancellation of units	(167,353)	(153,765)
Surplus/(deficit) for the financial year after taxation	<u>81,090</u>	<u>(102,250)</u>
At end of the financial year	<u>623,753</u>	<u>542,757</u>

STATEMENT OF INCOME AND EXPENDITURE

	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Investment income	4,708	6,529
Net fair value gains/(losses)	<u>83,025</u>	<u>(118,239)</u>
Surplus/(deficit) before taxation	87,733	(111,710)
Taxation	-	-
Current tax	182	225
Deferred tax	<u>(6,824)</u>	<u>9,235</u>
Surplus/(deficit) for the financial year after taxation	<u>81,091</u>	<u>(102,250)</u>

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18 INFORMATION ON CASH FLOWS BY FUNDS

	Family Takaful Fund RM'000	Company RM'000
<u>2023</u>		
Cash flows from:		
Operating activities	7,450	15,018
Investing activities	-	(2,797)
Financing activities	-	(5,068)
Net increase in cash and cash equivalents	7,450	7,153
Cash and cash equivalents:		
At beginning of the financial year	16,274	17,292
At end of the financial year	23,724	24,445
<u>2022</u>		
Cash flows from:		
Operating activities	5,623	7,892
Investing activities	-	(3,012)
Financing activities	-	(55)
Net increase in cash and cash equivalents	5,623	4,825
Cash and cash equivalents:		
At beginning of the financial year	10,651	12,467
At end of the financial year	16,274	17,292

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19 **SIGNIFICANT RELATED PARTY DISCLOSURES**

The related parties of, and their relationships with, the Company are as follows:

<u>Company</u>	<u>Country of Incorporation</u>	<u>Relationship</u>
Khazanah Nasional Berhad (KNB)	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd (ACSB)	Malaysia	Penultimate holding company
Renggis Ventures Sdn Bhd (RVSB)	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada (SLACC)	Canada	Significant Shareholder
Sun Life Financial Inc. (SLF)	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad (CIMBG)	Malaysia	Associate of the ultimate holding company
Yayasan Khazanah	Malaysia	Associate of the ultimate holding company
CIMB Bank Berhad (CIMB Bank)	Malaysia	Subsidiary of CIMBG
CIMB Islamic Bank Berhad (CIBB)	Malaysia	Subsidiary of CIMBG
Principal Asset Management Berhad (Principal)	Malaysia	Associate of the ultimate holding company
Sun Life Malaysia Assurance Berhad (SLMAB)	Malaysia	Fellow subsidiary of the ultimate holding company

Key management personnel*

- * Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company comprise the Board, Chief Executive Officer and the Management Committee members of the Company.

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19 **SIGNIFICANT RELATED PARTY DISCLOSURES**

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on terms and conditions negotiated between the related parties.

<u>(Income)/expenses</u>	<u>Location</u>	<u>2023</u>	<u>2022</u>
		RM'000	RM'000
Contribution income received from SLMAB	Malaysia	(441)	(407)
Contribution income received from Principal	Malaysia	(93)	(103)
Contribution income received from Yayasan Khazanah	Malaysia	(92)	(107)
Profit income earned from deposits placed with CIBB	Malaysia	(1,354)	(1,046)
Shared services expenses paid/payable to SLMAB	Malaysia	143,951	127,171
Commissions paid to CIMB Bank	Malaysia	618	973
Commissions paid to CIBB	Malaysia	71,671	67,812
Rental expenses paid to SLMAB	Malaysia	70	70
Sales and marketing expenses paid to CIMB Bank	Malaysia	44,136	32,289
Sales and marketing expenses paid to CIBB	Malaysia	8,581	5,535
Sales and marketing expenses paid to Principal	Malaysia	518	501

Included in the statement of financial position of the Company are significant related party balances, represented by the following:

	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Amount due to other related companies within the KNB group:		
Amount due to SLMAB	(19,841)	(18,912)
Amount due to CIBB	(6,011)	(6,347)
Amount due to Principal	(521)	(614)
Amount due to CIMB Bank	(1,887)	(93)

These related party balances are current, unsecured, non-profit bearing and have no fixed repayment terms.

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19 **SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

Compensation of key management personnel

Total compensation paid and payable to the Company's key management personnel during the financial year was as follows:

	2023	2022
	RM'000	RM'000
Salaries and other short-term employee benefits	899	211
Defined contribution plan	126	30
Fees and allowance	718	658
Share-based payment plan	86	79
	<u>1,829</u>	<u>978</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM22,200. (2022: RM7,000).

Compensation of senior management and other material risk takers

Total value of remuneration awards paid and payable to the Company's senior management and other material risk takers during the financial year was as follows:

	2023			2022		
	Number of persons	Unrestricted RM'000	Deferred RM'000	Number of persons	Unrestricted RM'000	Deferred RM'000
Fixed remuneration						
Cash-based	1	710	-	2	221	-
Variable remuneration						
Cash-based	1	315	-	2	20	-
Shares and share- linked remuneration	1	-	86	2	-	79
Benefits-in-kind	1	22	-	2	7	-

During the financial year, none of the key management personnel were entitled to sign-on awards. (2022: Nil).

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20 **RISK MANAGEMENT FRAMEWORK**

(a) **Risk management**

The Board recognises that risk management is an integral part of the Company's business objectives and it is critical for the Company to achieve continued profitability and sustainable growth in Shareholders' value. In pursuing these objectives, the Company has put in place a Risk Management Framework (RMF) to manage its risks and opportunities. The Board has established the Risk Management Committee (RMC) with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO) and the Investment Committee (IC), that provides oversight responsibilities on operational, financial and Takaful risks management in facilitating the optimisation of the risk and return profile of the Company.

The RMF involves an on-going process of identifying, measuring, managing, monitoring and reporting significant risks affecting the achievement of the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Company's strategies and functional activities throughout the financial year.

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by the risk management function (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Internal Audit division (the third line of defence).

To promote a consistent and rigorous approach to risk management, the Company has a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As the Company's business responds to changing market conditions and customer needs, the management regularly monitors the appropriateness of the Company's risk policies to ensure that they remain up to date.

(b) **Capital management**

Capital adequacy risk is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, maintain financial strength or to allow the Company to take advantage of opportunities for expansion.

The Company's capital risk policy is intended to safeguard capital for the benefit of all the stakeholders including the Shareholders, and the certificate holders. The interest of the Shareholders is to maximize returns. The interests of participating and other certificate holders are also protected under the appropriate regulatory requirements.

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Company needs to calibrate the acceptable limits of local solvency, i.e. a corridor of acceptable solvency, where a solvency level outside of this corridor would not meet the risk appetite requirement. The Capital Management Plan specifies the different capital levels, escalation process, possible corrective actions, and the frequency of monitoring based on the capital level.

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20 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Governance

The risk management policies identify the risks inherent in different elements of the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks (where the risk is material) and the minimum standards of control the Company is expected to maintain. From a risk management governance perspective, the RMC has been established to assist the Board in its oversight of risk and risk management in the Company. The RMC reports and recommends to the Board on the risk management strategies, policies, risk tolerance appetite, reviews and assesses the adequacy of the risk management policies and framework, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

(d) Asset-Liability Management (ALM)

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve the Company's financial and business objectives, given the organization's risk tolerances and other constraints. ALM is the practice of managing a business so that decisions made and actions taken with respect to assets and liabilities are appropriately coordinated. This ongoing process is critical for the sound management of any financial intermediary or organization that conducts investment activity to support future cash flow needs and capital requirements. While the primary focus is on long-term economic value, ALM also consider stability of reported earnings, tax effects and capital.

21 TAKAFUL RISK

(a) Family Takaful

Takaful risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

The Company's Family Takaful businesses are exposed to a range of Family Takaful risks from various products. In providing financial advisory services coupled with Takaful protection, the Company manages risks such as mortality (the death of certificate holders), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of retakaful to transfer excessive risk exposures, using appropriate actuarial techniques as well as other mitigation measures.

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, applying best practices in the setting of lapse assumptions, product design requirements, experience monitoring and management actions.

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21 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through the product cycle development process, financial analysis and pricing.

The table below shows the concentration of Family Takaful actuarial liabilities by types of certificates.

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>2023</u>			
Mortgage	(24,336)	-	(24,336)
Endowment	410,062	-	410,062
Term	13,741	-	13,741
Others	12,011	-	12,011
Total	<u>411,478</u>	<u>-</u>	<u>411,478</u>
<u>2022</u>			
Mortgage	(10,320)	-	(10,320)
Endowment	315,206	-	315,206
Term	21,075	-	21,075
Others	14,006	-	14,006
Total	<u>339,967</u>	<u>-</u>	<u>339,967</u>

The entire Family Takaful actuarial liabilities are derived from Malaysia.

Key assumptions

Material judgment is required in determining the actuarial liabilities and in the choice of assumptions. Assumptions in use are based on experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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21 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

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

Discount rate and Fund Growth Rate

Discount rate and fund growth rate are based on risk free rate plus illiquidity premium, to project and discount cash flows for corresponding durations for takaful certificates' liabilities calculation.

i. Risk-free rate

The risk-free rates from durations of 1 to 15 years are the Government Investment Issues (GII) yields taken from Bond Web, which is a recognised bond pricing agency in Malaysia. As the GII yields are only available for terms of 1, 2, 3, 5, 7, 10 and 15 years, the yields in between these terms are interpolated.

For durations of 15 years or more, the GII yields with 15 years term to maturity are used.

The risk-free rates employed are gross of tax on investment income of the Takaful fund.

ii. Illiquidity premium

The illiquidity premium represents the differences between the liquidity characteristics of the financial instruments that underlie the risk-free rates observed in the market and the liquidity characteristics of the takaful certificates.

The illiquidity premium assumptions are determined based on the company's actual corporate bond assets by considering the yield on corporate bond. The assumptions are 0.09% for Family Takaful Surplus Sharing fund, 0.15% for Family Takaful Non-Surplus Sharing fund, 0% for Investment-Linked fund and 0.03% for Shareholders' fund.

Mortality and morbidity

Best estimate assumptions are based on the Company's recent experience studies. Mortality assumption used for the Company's major products are based on a percentage of the industry's mortality table, plus a risk adjustment of 8% of the best estimate assumptions.

Lapse rate

Best estimate assumptions are based on the Company's recent experience studies. Depending on the product's features, risk adjustment is set at a range of 15% to 40% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of the Company. An inflation rate of 4.0% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The risk adjustment on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

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21 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit after tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in best estimate assumptions	Impact on gross actuarial liabilities	Impact on net actuarial liabilities	Impact on profit before tax	Impact on equity*
	%	RM'000	RM'000	RM'000	RM'000
<u>2023</u>					
Mortality/morbidity	+10	9,807	9,807	(5,313)	(4,038)
Expenses	+10	21,975	21,975	(8,620)	(6,551)
Lapse and surrender rates	+10	28,630	28,630	(14,132)	(10,740)
Discount rate	-1	41,624	41,624	(15,389)	(11,696)
<u>2022 (Restated)</u>					
Mortality/morbidity	+10	8,178	8,178	(5,587)	(4,246)
Expenses	+10	19,127	19,127	(9,028)	(6,861)
Lapse and surrender rates	+10	27,715	27,715	(16,016)	(12,172)
Discount rate	-1	24,918	24,918	(3,835)	(2,914)

* Impact on equity reflects adjustments for tax, where applicable.

The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

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21 TAKAFUL RISK (CONTINUED)

Sensitivities (continued)

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on contractual service margin, gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions. (continued)

<u>Company</u>	Change in best estimate assumptions %	2023		2022	
		Impact on CSM before tax gross of retakaful RM'000	Impact on CSM before tax net of retakaful RM'000	Impact on CSM before tax gross of retakaful RM'000	Impact on CSM before tax net of retakaful RM'000
Mortality/morbidity	+10	(4,494)	(4,494)	(2,591)	(2,591)
Expenses	+10	(13,355)	(13,355)	(10,100)	(10,100)
Lapse and surrender rates	+10	(14,498)	(14,498)	(11,699)	(11,699)
Discount rate	-1	(26,235)	(26,235)	(21,084)	(21,084)

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22 **FINANCIAL RISK**

(a) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet the payment obligations of the principal and/or profit. Exposure to such risk arises primarily from default risk of unquoted Sukuk purchased.

The Company manages the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Company is also exposed to credit risk through its use of retakaful arrangements are only placed with providers who meet the Company's counterparty credit standards.

The Company only purchases Sukuk of high credit standing (with minimum rating of A-) as rated by authorised rating agencies. The Company also actively monitors and considers the risk of fall in the value of fixed profit securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Investment Guidelines of the Company.

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The method used in monitoring the credit risk exposure to the Company did not change from the previous financial year.

The Company has not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to certificate holders are linked to the performance and value of the assets that back those liabilities and the Shareholders have no direct exposure to any credit risk in these assets. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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22 **FINANCIAL RISK (CONTINUED)**

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	<u>Family Takaful Fund</u>	<u>Company</u>
	RM'000	RM'000
<u>2023</u>		
<u>Amortised cost financial assets</u>		
Fixed and call deposits with licensed financial institutions	156,516	172,956
<u>FVTPL financial assets</u>		
Quoted equity securities	97,472	105,746
Unit trust funds	624,008	624,008
<u>FVOCI/AFS financial assets</u>		
Government Investment Issues	331,675	676,370
Cagamas Sukuk	10,225	10,225
Unquoted Sukuk	1,524,032	1,787,814
Retakaful certificate assets	74,445	74,162
Takaful certificate assets	146,441	364,143
Other receivables	7,942	12,895
Cash and bank balances	23,724	24,445
	<u>2,996,480</u>	<u>3,852,764</u>
<u>2022 (Restated)</u>		
<u>Amortised cost financial assets</u>		
Fixed and call deposits with licensed financial institutions	149,266	181,675
<u>FVTPL financial assets</u>		
Quoted equity securities	75,318	80,947
Unit trust funds	537,014	537,014
<u>FVOCI/AFS financial assets</u>		
Government Investment Issues	251,214	501,679
Cagamas Sukuk	10,203	10,203
Unquoted Sukuk	1,174,152	1,421,603
Retakaful certificate assets	48,092	47,809
Takaful certificate assets	157,078	354,883
Other receivables	67,754	71,452
Cash and bank balances	16,274	17,292
	<u>2,486,365</u>	<u>3,224,557</u>

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22 **FINANCIAL RISK (CONTINUED)**

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of Family Takaful Fund by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

<u>Family Takaful Fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit disk</u>	<u>Investment -linked funds</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2023</u>										
<u>FVOCI/AFS financial assets</u>										
Government Investment Issues	-	-	-	-	331,675	-	-	-	-	331,675
Cagamas Sukuk	10,225	-	-	-	-	-	-	-	-	10,225
Unquoted Sukuk	528,376	335,789	-	-	659,867	-	-	-	-	1,524,032
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	97,472	-	-	-	97,472
Unit trust funds	-	-	-	-	-	-	624,008	-	-	624,008
<u>Amortised cost financial assets</u>										
Fixed and call deposits with licensed financial institutions	100,022	56,494	-	-	-	-	-	-	-	156,516
Retakaful certificate assets	-	12,962	59,913	-	1,570	-	-	-	-	74,445
Takaful certificate assets	-	-	-	-	146,441	-	-	-	-	146,441
Other receivables	-	-	-	-	5,856	-	2,086	-	-	7,942
Cash and bank balances	22,925	786	-	-	-	-	13	-	-	23,724
	<u>661,548</u>	<u>406,031</u>	<u>59,913</u>	<u>-</u>	<u>1,145,409</u>	<u>97,472</u>	<u>626,107</u>	<u>-</u>	<u>-</u>	<u>2,996,480</u>

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22 FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit disk	Investment -linked funds	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated					
<u>Family Takaful Fund</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2022 (Restated)</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	251,214	-	-	-	-	251,214
Cagamas Sukuk	10,203	-	-	-	-	-	-	-	-	10,203
Unquoted Sukuk	327,365	253,370	-	-	593,417	-	-	-	-	1,174,152
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	75,318	-	-	-	75,318
Unit trust funds	-	-	-	-	-	-	537,014	-	-	537,014
<u>Amortised cost financial assets</u>										
Fixed and call deposits with licensed financial institutions	100,034	49,232	-	-	-	-	-	-	-	149,266
Retakaful certificate assets	-	27,821	18,242	-	2,029	-	-	-	-	48,092
Takaful certificate assets	-	-	-	-	157,078	-	-	-	-	157,078
Other receivables	-	-	-	-	67,149	-	605	-	-	67,754
Cash and bank balances	15,997	125	-	-	132	-	20	-	-	16,274
	453,599	330,548	18,242	-	1,071,019	75,318	537,639	-	-	2,486,365

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22 FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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

Company	Neither past due nor impaired					Not subject to credit disk	Investment -linked funds	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>										
<u>FVOCI/AFS financial assets</u>										
Government Investment Issues	-	-	-	-	676,370	-	-	-	-	676,370
Cagamas Sukuk	10,225	-	-	-	-	-	-	-	-	10,225
Unquoted Sukuk	582,951	389,489	-	-	815,374	-	-	-	-	1,787,814
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	105,746	-	-	-	105,746
Unit trust funds	-	-	-	-	-	-	624,008	-	-	624,008
<u>Amortised cost financial assets</u>										
Fixed and call deposits with licensed financial institutions	112,026	60,930	-	-	-	-	-	-	-	172,956
Retakaful certificate assets	-	12,962	59,913	-	1,287	-	-	-	-	74,162
Takaful certificate assets	-	-	-	-	364,143	-	-	-	674	364,817
Other receivables	-	-	-	-	10,809	-	2,086	-	90	12,985
Cash and bank balances	23,643	786	-	-	3	-	13	-	-	24,445
Allowance for impairment losses	-	-	-	-	-	-	-	-	(764)	(764)
	728,845	464,167	59,913	-	1,867,986	105,746	626,107	-	-	3,852,764

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22 FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

Company	Neither past due nor impaired					Not subject to credit disk RM'000	Investment -linked funds RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2022</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	501,679	-	-	-	-	501,679
Cagamas Sukuk	10,203	-	-	-	-	-	-	-	-	10,203
Unquoted Sukuk	375,551	301,080	-	-	744,972	-	-	-	-	1,421,603
<u>FVTPL financial assets</u>										
Quoted equity securities	-	-	-	-	-	80,947	-	-	-	80,947
Unit trust funds	-	-	-	-	-	-	537,014	-	-	537,014
<u>Amortised cost financial assets</u>										
Fixed and call deposits with licensed financial institutions	115,794	65,881	-	-	-	-	-	-	-	181,675
Retakaful certificate assets	-	27,821	18,242	-	1,746	-	-	-	-	47,809
Takaful certificate assets	-	-	-	-	354,883	-	-	-	674	355,557
Other receivables	-	-	-	-	70,847	-	605	-	90	71,542
Cash and bank balances	17,012	125	-	-	135	-	20	-	-	17,292
Allowance for impairment losses	-	-	-	-	-	-	-	-	(764)	(764)
	518,560	394,907	18,242	-	1,674,262	80,947	537,639	-	-	3,224,557

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22 **FINANCIAL RISK (CONTINUED)**

(a) Credit risk (continued)

Impairment assessment

The Company's ECL assessment and measurement method is set out below.

(i) Significant increase in credit risk, default and cure

The Company continuously monitor all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/ protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

(ii) Expected Credit Loss

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

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

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22 FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

(iii) Impairment losses on financial investments subject to impairment assessment

Debt Instruments measured at FVOCI

The table below shows the fair value of Family Takaful Fund and the Company's debt instruments measured at FVOCI by credit risk, based on the Company's external rating system.

<u>2023</u>	<u>Family Takaful Fund</u>			<u>Company</u>		
	<u>12m ECL</u>	<u>Lifetime ECL</u>	<u>Total</u>	<u>12m ECL</u>	<u>Lifetime ECL</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>External rating grade</u>						
AAA	538,601	-	538,601	593,176	-	593,176
AA	335,789	-	335,789	389,489	-	389,489
A	-	-	-	-	-	-
Not Rated	991,542	-	991,542	1,491,744	-	1,491,744
Total net amount	1,865,932	-	1,865,932	2,474,409	-	2,474,409

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22 FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

(iii) Impairment losses on financial investments subject to impairment assessment (continued)

An analysis of changes in fair value and the corresponding ECLs is as follows.

<u>2023</u>	Family Takaful Fund			Company		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
Fair value as at 1 January	1,435,569	-	1,435,569	1,933,485	-	1,933,485
Purchases	480,159	-	480,159	576,478	-	576,478
Maturities	(30,044)	-	(30,044)	(30,044)	-	(30,044)
Disposal	(86,202)	-	(86,202)	(86,202)	-	(86,202)
Changes in fair value	62,609	-	62,609	76,616	-	76,616
Movement in accrued profit	4,931	-	4,931	6,344	-	6,344
Amortisation adjustment	(1,090)	-	(1,090)	(2,268)	-	(2,268)
At 31 December	1,865,932	-	1,865,932	2,474,409	-	2,474,409
<u>2023</u>	Family Takaful Fund			Company		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
ECL as at 1 January	64	-	64	70	-	70
New assets originated or purchased	24	-	24	25	-	25
Assets derecognised or matured (excluding write-offs)	(8)	-	(8)	(7)	-	(7)
Change in ECL	131	-	131	153	-	153
At 31 December	211	-	211	241	-	241

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22 **FINANCIAL RISK (CONTINUED)**

(b) Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Investment department of the Company manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company has a strong liquidity position and seeks to maintain sufficient financial resources to meet its obligations as they fall due.

The method used in monitoring the liquidity risk did not change from the previous financial year.

(i) **Maturity profiles**

Maturity analysis for takaful and retakaful certificates (present value of future cash flow basis)

The following table summarises the maturity profile of portfolios of takaful certificate issued and portfolios of retakaful certificates held based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

Investment-linked fund and family takaful participants' account ("PA") liabilities are repayable or transferable upon notice by certificate holders and are disclosed separately under the "Investment-linked/PA fund column. Repayments which are subject to notice are treated as if such notices were given immediately.

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22 FINANCIAL RISK (CONTINUED)

(b) Liquidity risk (continued)

(i) Maturity profiles (continued)

Maturity analysis for takaful and retakaful certificates (present value of future cash flow basis)

<u>Family Takaful Fund</u>	<u>Up to a year</u>	<u>1 – 2 years</u>	<u>2 – 3 years</u>	<u>3 – 5 years</u>	<u>>5 years</u>	<u>No maturity date</u>	<u>Investment-linked /PA fund</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>								
Takaful certificate assets	100	-	-	-	-	(153,029)	6,488	(146,441)
Takaful certificate liabilities	158,566	-	-	-	-	346,308	2,386,724	2,891,598
Takaful certificate liabilities	158,666	-	-	-	-	193,279	2,393,212	2,745,157
Retakaful certificate assets	(74,445)	-	-	-	-	-	-	(74,445)
Retakaful certificate liabilities	6,359	-	-	-	-	-	-	6,359
Retakaful certificate assets	(68,086)	-	-	-	-	-	-	(68,086)
<u>2022</u>								
Takaful certificate assets	(8,068)	-	-	-	-	(155,143)	6,133	(157,078)
Takaful certificate liabilities	74,238	-	-	-	-	383,632	1,923,828	2,381,698
Takaful certificate liabilities	66,170	-	-	-	-	228,489	1,929,961	2,224,620
Retakaful certificate assets	(48,092)	-	-	-	-	-	-	(48,092)
Retakaful certificate liabilities	2,175	-	-	-	-	-	-	2,175
Retakaful certificate assets	(45,917)	-	-	-	-	-	-	(45,917)

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22 FINANCIAL RISK (CONTINUED)

(b) Liquidity risk (continued)

(i) Maturity profiles (continued)

Maturity analysis for takaful and retakaful certificates (present value of future cash flow basis)

<u>Company</u>	<u>Up to a year</u>	<u>1 – 2 years</u>	<u>2 – 3 years</u>	<u>3 – 4 years</u>	<u>4 – 5 years</u>	<u>>5 years</u>	<u>No maturity date</u>	<u>Investment-linked /PA fund</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>									
Takaful certificate assets	(18,498)	(14,161)	(10,712)	(12,992)	(10,462)	(180,594)	(153,029)	6,488	(393,960)
Takaful certificate liabilities	233,815	(24,473)	(17,537)	(16,964)	(10,075)	(102,646)	346,308	2,386,724	2,795,152
Takaful certificate (assets) /liabilities	215,317	(38,634)	(28,249)	(29,956)	(20,537)	(283,240)	193,279	2,393,212	2,401,192
Retakaful certificate assets	(74,162)	-	-	-	-	-	-	-	(74,162)
Retakaful certificate liabilities	6,359	-	-	-	-	-	-	-	6,359
Retakaful certificate assets	(67,803)	-	-	-	-	-	-	-	(67,803)
<u>2022</u>									
Takaful certificate assets	(33,290)	(16,195)	(10,482)	(11,959)	(9,097)	(153,069)	(155,143)	6,133	(383,102)
Takaful certificate liabilities	113,091	(14,685)	(12,256)	(13,943)	(9,141)	(91,419)	383,632	1,923,828	2,279,107
Takaful certificate (assets) /liabilities	79,801	(30,880)	(22,738)	(25,902)	(18,238)	(244,488)	228,489	1,929,961	1,896,005
Retakaful certificate assets	(47,809)	-	-	-	-	-	-	-	(47,809)
Retakaful certificate liabilities	2,175	-	-	-	-	-	-	-	2,175
Retakaful certificate assets	(45,634)	-	-	-	-	-	-	-	(45,634)

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22 FINANCIAL RISK (CONTINUED)

(b) Liquidity risk (continued)

(i) Maturity profiles (continued)

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

The table on the following page summarises the maturity profile of the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for Takaful certificate liabilities, where the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised Takaful certificate liabilities.

Investment-linked funds liabilities are repayable or transferable upon notice by certificate holders and are disclosed separately under the "Investment-linked funds" column. Repayments which are subject to notice are treated as if such notices were given immediately.

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22 **FINANCIAL RISK (CONTINUED)**

(b) Liquidity risk (continued)

(i) Maturity profiles (continued)

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

<u>Family Takaful Fund</u>	Carrying	Up to a	1 – 3 years	3 – 5 years	5 – 15 years	> 15 years	No	Investment	Total
	value	year					maturity	-linked	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	date	funds	RM'000
<u>2023</u>									
<u>FVOCI/AFS financial assets</u>									
Government Investment Issues	331,675	14,165	28,330	28,330	266,049	200,203	-	-	537,077
Cagamas Sukuk	10,225	455	10,376	-	-	-	-	-	10,831
Unquoted Sukuk	1,524,032	87,813	280,399	360,699	1,042,787	384,606	-	-	2,156,304
<u>FVTPL financial assets</u>									
Quoted equity securities	97,472	-	-	-	-	-	97,472	-	97,472
Unit trust funds	624,008	-	-	-	-	-	-	624,008	624,008
<u>Amortised cost financial assets</u>									
Fixed and call deposits with licensed financial institutions	156,516	156,564	-	-	-	-	-	-	156,564
Other receivables	7,942	5,856	-	-	-	-	-	2,086	7,942
Cash and bank balances	23,724	-	-	-	-	-	23,711	13	23,724
Total financial assets	2,775,594	264,853	319,105	389,029	1,308,836	584,809	121,183	626,107	3,613,922
Other payables	93,303	91,631	-	-	-	-	-	1,672	93,303
Total financial liabilities	93,303	91,631	-	-	-	-	-	1,672	93,303

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22 **FINANCIAL RISK (CONTINUED)**

(b) Liquidity risk (continued)

(i) Maturity profiles (continued)

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

<u>Family Takaful Fund</u>	<u>Carrying value</u>	<u>Up to a year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>5 – 15 years</u>	<u>> 15 years</u>	<u>No maturity date</u>	<u>Investment -linked funds</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2022 (Restated)</u>									
<u>AFS financial assets</u>									
Government Investment Issues	251,214	11,155	22,309	22,309	235,872	129,395	-	-	421,040
Cagamas Sukuk	10,203	455	10,831	-	-	-	-	-	11,286
Unquoted Sukuk	1,174,152	84,511	194,141	210,735	876,220	410,937	-	-	1,776,544
<u>FVTPL financial assets</u>									
Quoted equity securities	75,318	-	-	-	-	-	75,318	-	75,318
Unit trust funds	537,014	-	-	-	-	-	-	537,014	537,014
<u>Amortised cost financial assets</u>									
Fixed and call deposits with licensed financial institutions	149,266	149,307	-	-	-	-	-	-	149,307
Other receivables	67,754	67,149	-	-	-	-	-	605	67,754
Cash and bank balances	16,274	-	-	-	-	-	16,254	20	16,274
Total financial assets	2,281,195	312,577	227,281	233,044	1,112,092	540,332	91,572	537,639	3,054,537
Other payables	109,259	108,193	-	-	-	-	-	1,066	109,259
Total financial liabilities	109,259	108,193	-	-	-	-	-	1,066	109,259

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22 FINANCIAL RISK (CONTINUED)

(b) Liquidity risk (continued)

(i) Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>5 – 15 years</u> RM'000	<u>> 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment -linked funds</u> RM'000	<u>Total</u> RM'000
<u>2023</u>									
<u>FVOCI/AFS financial assets</u>									
Government Investment Issues	676,370	42,547	59,185	103,557	542,879	237,159	-	-	985,327
Cagamas Sukuk	10,225	455	10,376	-	-	-	-	-	10,831
Unquoted Sukuk	1,787,814	123,922	367,906	398,570	1,204,354	384,606	-	-	2,479,358
<u>FVTPL financial assets</u>									
Quoted equity securities	105,746	-	-	-	-	-	105,746	-	105,746
Unit trust funds	624,008	-	-	-	-	-	-	624,008	624,008
<u>Amortised cost financial assets</u>									
Fixed and call deposits with licensed financial institutions	172,956	173,007	-	-	-	-	-	-	173,007
Other receivables	12,895	10,809	-	-	-	-	-	2,086	12,895
Cash and bank balances	24,445	-	-	-	-	-	24,432	13	24,445
Total financial assets	3,414,459	350,740	437,467	502,127	1,747,233	621,765	130,178	626,107	4,415,617
Other payables	121,367	119,695	-	-	-	-	-	1,672	121,367
Total financial liabilities	121,367	119,695	-	-	-	-	-	1,672	121,367

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22 FINANCIAL RISK (CONTINUED)

(b) Liquidity risk (continued)

(i) Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 – 3 years</u> RM'000	<u>3 – 5 years</u> RM'000	<u>5 – 15 years</u> RM'000	<u>> 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment -linked funds</u> RM'000	<u>Total</u> RM'000
<u>2022 (Restated)</u>									
<u>AFS financial assets</u>									
Government Investment Issues	501,679	21,398	61,683	41,064	482,278	161,697	-	-	768,120
Cagamas Sukuk	10,203	455	10,831	-	-	-	-	-	11,286
Unquoted Sukuk	1,421,603	95,560	278,876	259,688	1,053,950	410,937	-	-	2,099,011
<u>FVTPL financial assets</u>									
Quoted equity securities	80,947	-	-	-	-	-	80,947	-	80,947
Unit trust funds	537,014	-	-	-	-	-	-	537,014	537,014
<u>Amortised cost</u>									
Fixed and call deposits with licensed financial institutions	181,675	181,728	-	-	-	-	-	-	181,728
Other receivables	71,452	70,847	-	-	-	-	-	605	71,452
Cash and bank balances	17,292	-	-	-	-	-	17,272	20	17,292
Total financial assets	2,821,865	369,988	351,390	300,752	1,536,228	572,634	98,219	537,639	3,766,850
Other payables	124,712	123,646	-	-	-	-	-	1,066	124,712
Total financial liabilities	124,712	123,646	-	-	-	-	-	1,066	124,712

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22 **FINANCIAL RISK (CONTINUED)**

(c) Market risk

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and profit rates. It is recognised that such risk is inevitable from the business that the Company undertakes, and that a certain level of market risk is desirable to deliver benefits to both certificate holders and Shareholders by achieving the Company's financial objectives.

The Company manages market risk by adopting asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However, where any mismatch is within the Company's appetite, the impact is monitored through economic capital measures.

Volatility in profit rates is the Company's largest market risk exposure. The Company monitors market price movements through regular stress/sensitivity testing and constant supervision.

The method used in monitoring market risk did not change from the previous financial year.

(i) Profit rate risk

Profit rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market profit rate.

The Company's concentration of profit rate risk arises from fixed rate instruments and the Company's asset liability risk management policy requires management to manage the profit rate risk by maintaining an appropriate liability driven investment strategy. Profit on fixed rate instruments is priced at the issuance of the financial instrument and is fixed until the instrument matures.

There is no direct contractual relationship between financial assets and takaful certificates. However, the Company's profit rate risk policy requires it to manage the extent of net profit rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the takaful certificate liabilities. The policy also requires it to manage the maturities of profit bearing financial assets.

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22 FINANCIAL RISK (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

The Company's exposure to profit rate risk sensitivity to takaful and retakaful certificates and debt instruments are as follows:

	<u>2023</u>	<u>Company</u> <u>2022</u>
	RM'000	RM'000 Restated
Takaful certificate issued	168,271	160,558
Debt instruments at FVOCI/AFS	<u>2,474,409</u>	<u>1,933,485</u>

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

<u>Company</u>	<u>Change in profit rate</u>	<u>2023</u>		<u>2022</u>	
		Impact on profit after taxation RM'000	Impact on equity* RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
Takaful and retakaful certificates	+100 basis points	(3,833)	(3,833)	(2,194)	(2,194)
Debt instruments	+100 basis points	-	(26,204)	-	(23,689)
Takaful and retakaful certificates	-100 basis points	(11,696)	(11,696)	(2,914)	(2,914)
Debt instruments	-100 basis points	-	28,698	-	26,114

* Impact on equity reflects adjustments for tax, where applicable.

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22 FINANCIAL RISK (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

The method used for deriving sensitivity information and significant variables did not change from the previous financial year.

The impact to the Company's equity arose from FVOCI/AFS financial assets in the Shareholders' fund. The impact arising from changes in profit rate risk to FVOCI/AFS and FVTPL fixed income securities of the Family Takaful fund and Investment-linked funds is retained in the Takaful certificate liabilities and as such, does not impact the profit after taxation and equity of the Company.

(ii) Price risk

Price risk is the risk that the fair value of a financial instrument or portfolio will decline from adverse movement in the market price of an asset, whether those changes are caused by factors specific to the individual financial instrument, overall performance of the market and economy, or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to risk of losses arising from equity assets as a result of movement in market prices, principally investment securities not held for the account of unit-linked business.

The Company's asset liability risk management policy requires it to manage equity price risk and profit rate risk by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in the country, 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 of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

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22 FINANCIAL RISK (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

<u>Company</u>	2023		2022	
	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on profit after taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in variables</u>				
Quoted equity securities:				
Decrease in share price by 40%	(5,586)	(5,723)	(1,605)	(4,748)

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year.

There is no impact to the Company's profit after taxation and equity from changes in equity price risk of the Family Takaful fund and Investment-linked funds as these are retained in the Takaful certificate liabilities.

(iii) Operational risk

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company has in place an Operational Risk Management (ORM) Framework. The purpose of this Framework is to:

- Set-out the framework for ensuring effective management of the Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Company; and
- Establish standard tools and processes for managing Operational Risks within the Company.

From the governance perspective, the RMC and ERMC monitor and oversee the implementation of the ORM Framework to ensure that the operational risk management processes are in place and functioning effectively.

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23 OPERATING LEASES

There were no operating leases that arose during the financial year.

24 CAPITAL COMMITMENTS

	2023	Audited 2022
	RM'000	RM'000
Approved and contracted for:		
Intangible assets	860	-
Approved but not contracted for:		
Intangible assets	424	-
	<u>1,284</u>	<u>-</u>

25 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2023, as prescribed under the Risk Based Capital Framework is provided below:

	31.12.2023	31.12.2022
	RM'000	RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	240,000	240,000
Retained earnings	301,493	273,357
Eligible certificate liabilities	155,562	167,866
	<u>697,055</u>	<u>681,223</u>
<u>Tier 2 Capital</u>		
Eligible reserves	5,565	(10,410)
Amounts deducted from capital	(36,632)	(39,384)
Total capital available	<u>665,988</u>	<u>631,429</u>

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS**

(a) **MFRS 17 Insurance Contracts**

MFRS 17 Insurance Contracts was issued in May 2017, replacing MFRS 4 Insurance Contracts. The Company has adopted MFRS 17 Insurance Contracts, including any consequential amendments to other standards and subsequent amendments to MFRS 17, effective 1 January 2023, with corresponding comparative financial information provided for 2022.

Changes to classification and measurement

The adoption of MFRS 17 did not change the classification of the Company's takaful certificates. MFRS 17 establishes specific principles for the recognition and measurement of takaful certificates issued and retakaful certificates held by the Company. The key principles of MFRS 17 are that the Company:

- Identifies takaful certificates as those under which the Company accepts significant takaful risk from another party (the certificate holder) by agreeing to compensate the certificate holder if a specified uncertain future event (the insured event) adversely affects the certificate holder.
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than takaful certificate services from takaful certificates and accounts for them in accordance with other standards (MFRS 9 for embedded derivatives and investment components or MFRS 15 for non-takaful goods and services);
- Divides the takaful and retakaful certificates into groups it will recognise and measure; and
- Recognises profit from a group of takaful certificates over each period the Company provides takaful certificate services, as the Company is released from risk. If a group of certificates is expected to be onerous (i.e. loss-making) over the remaining coverage period, the Company recognise the loss immediately.

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) **MFRS 17 Insurance Contracts (continued)**

Transition

Transition date for the Company is 1 January 2022.

(i) **Full retrospective approach**

On transition to MFRS 17, the Company should apply full retrospective approach unless impracticable.

The Company has assessed and concluded that it is impracticable for the Company to apply full retrospective to transition blocks for both the takaful and retakaful certificates.

The Company has the accounting choice to apply either the Modified Retrospective Approach or Fair Value Approach.

(ii) **Fair value approach**

The Company has applied the fair value approach on transition for all direct certificates, as prior to transition, it grouped certificates from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of takaful certificates and the fulfilment cashflows measured at that date. In determining fair value, the Company has applied the requirements of MFRS 13 Fair Value Measurement.

The Group and the Company has aggregated certificates issued more than one year apart in determining groups of takaful certificates under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only certificates issued within one year.

The discount rate for the group of certificates applying the fair value approach was determined at the transition date.

The Company has elected not to disaggregate takaful finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income.

The Company has applied the fair value approach on transition for all takaful certificates issued and retakaful certificates held prior to transition date as of 1 January 2022.

Thus, on 1 January 2022, the Company has identified, recognised and measured each group of takaful certificates as if MFRS 17 had always; derecognised any existing balances that would not exist had MFRS 17 always applied; and recognised any resulting net difference in equity.

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) **MFRS 17 Insurance Contracts (continued)**

Transition impact from adoption of MFRS 17

The effects as a result of adoption of MFRS 17 were recognised as adjustments to Retained Earnings as at 1 January 2022, which has resulted in an increase of Shareholders' equity as of 1 January 2022 by RM156 million, as summarised below:

- Recognition of Operators' Fund negative reserves (+RM129 million).
- Change in reserving basis due to recognition of surplus cash flows arising from the takaful risk funds (+RM47 million).
- Creation of transition contractual service margin (-RM20 million).

Presentation and disclosure differences

MFRS 17 significantly change how takaful certificates, retakaful certificates and investment certificates with DPF are presented and disclosed in financial statements. The key presentation and disclosure differences are as follows:

(i) **Statements of Financial Position**

- Under MFRS 17, portfolios of takaful certificates, retakaful certificates and investment certificates with DPF are presented separately in the statement of financial position as assets and liabilities. All rights and obligations arising from a portfolio of certificates will be presented on a net basis. Therefore, balances such as takaful receivables and payables, will no longer be presented separately and will be assessed on net portfolio position and reported within Takaful certificates Liabilities or Assets as these are takaful certificate related balances. Retakaful receivables and payables, retakaful assets and liabilities will be assessed on a net portfolio position and reported within Retakaful certificates Assets or Liabilities as these are retakaful certificate related. Under MFRS 4, takaful certificates were not split and presented by asset and liability position.
- The components of takaful certificates are presented separately in the notes to the financial statements. These components include carrying amount of FCF, CSM and RA.

(ii) **Statements of Comprehensive Income**

- Under MFRS 17, amounts recognised in the Statements of Comprehensive Income are disaggregated into a takaful service result (comprising takaful revenue and takaful service expenses), takaful finance income or expenses, and income or expenses from retakaful certificates held. Under MFRS 4, the Company reported contribution income, wakalah income, surplus sharing from family takaful funds, gross claims and benefits, changes in takaful certificate liabilities, contribution and claims ceded to retakaful operators, and change in takaful certificate liabilities ceded to retakaful operators.
- Investment components will not be included in takaful revenue and takaful service expenses under MFRS 17. As a result, total amounts of revenue and expenses from takaful certificates with investment components will be reduced compared with those recognised under MFRS 4.

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) **MFRS 17 Insurance Contracts (continued)**

Impact of adoption of MFRS 17 on Statement of Financial Position and Statement of Comprehensive Income

The following table sets out the financial impact of adopting MFRS 17 on the statement of financial position as at 1 January 2022.

<u>Company</u>	31.12.2021 As previously reported RM'000	Classification and measurement RM'000	1.1.2022 As restated RM'000
ASSETS			
Property and equipment	330	-	330
Intangible assets	23,101	-	23,101
Right-of-use assets	11	-	11
Investments:			
Available-for-sale financial assets	1,604,377	-	1,604,377
Fair value through profit or loss financial assets	657,604	-	657,604
Loans and receivables/Amortised cost financial assets	142,260	-	142,260
Takaful receivables	16,131	(16,131)	-
Retakaful certificates assets	144,513	(98,667)	45,846
Takaful certificates assets	-	366,750	366,750
Other receivables	9,363	(182)	9,181
Cash and bank balances	12,467	-	12,467
TOTAL ASSETS	2,610,157	251,770	2,861,927
EQUITY AND LIABILITIES			
Share capital	240,000	-	240,000
Retained earnings	234,858	156,421	391,279
Fair value through other comprehensive income/ Available-for-sale reserve	1,160	21,884	23,044
Takaful finance reserve		(21,884)	(21,884)
TOTAL EQUITY	476,018	156,421	632,439
LIABILITIES			
Retakaful certificates liabilities	-	545	545
Takaful certificates liabilities	2,039,386	59,449	2,098,835
Takaful payables	11,170	(11,170)	-
Lease liabilities	12	-	12
Other payables	75,388	(2,871)	72,517
Deferred tax liabilities	5,639	49,396	55,035
Current tax liabilities	2,544	-	2,544
TOTAL LIABILITIES	2,134,139	95,349	2,229,488
TOTAL EQUITY AND LIABILITIES	2,610,157	251,770	2,861,927

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) **MFRS 17 Insurance Contracts (continued)**

Impact of adoption of MFRS 17 on Statement of Financial Position and Statement of Comprehensive Income (continued)

The following table sets out the financial impact of adopting MFRS 17 on the statement of financial position as at 31 December 2022. (continued)

<u>Company</u>	31.12.2022 As previously reported RM'000	Classification and measurement RM'000	31.12.2022 As restated RM'000
ASSETS			
Property and equipment	1,656	-	1,656
Intangible assets	19,953	-	19,953
Right-of-use assets	79	-	79
Investments:			
Available-for-sale financial assets	1,933,485	-	1,933,485
Fair value through profit or loss financial assets	617,961	-	617,961
Loans and receivables/Amortised cost financial assets	181,675	-	181,675
Takaful receivables	13,417	(13,417)	-
Retakaful certificates assets	114,544	(66,735)	47,809
Takaful certificates assets	-	354,883	354,883
Other receivables	71,759	(307)	71,452
Deferred tax assets	24,661	(24,661)	-
Cash and bank balances	17,292	-	17,292
TOTAL ASSETS	2,996,482	249,763	3,246,245
EQUITY AND LIABILITIES			
Share capital	240,000	-	240,000
Retained earnings	273,357	122,048	395,405
Fair value through other comprehensive income/ Available-for-sale reserve	(7,118)	(1,660)	(8,778)
Takaful finance reserve	-	1,660	1,660
TOTAL EQUITY	506,239	122,048	628,287
LIABILITIES			
Retakaful certificates liabilities	-	2,175	2,175
Takaful certificates liabilities	2,286,332	183,606	2,469,938
Takaful payables	15,802	(15,802)	-
Lease liabilities	80	-	80
Other payables	180,857	(56,145)	124,712
Deferred tax liabilities	-	13,881	13,881
Current tax liabilities	7,172	-	7,172
TOTAL LIABILITIES	2,490,243	127,715	2,617,958
TOTAL EQUITY AND LIABILITIES	2,996,482	249,763	3,246,245

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(a) **MFRS 17 Insurance Contracts (continued)**

Impact of adoption of MFRS 17 on Statement of Financial Position and Statement of Comprehensive Income (continued)

The following table sets out the financial impact of adopting MFRS 17 on the statement of comprehensive income as at 31.12.2022.

<u>Company</u>	<u>31.12.2022 As previously reported</u> RM'000	<u>Classification and measurement</u> RM'000	<u>31.12.2022 As restated</u> RM'000
Net profit for the financial year	38,499	(34,373)	4,126

(b) **MFRS 9 Financial Instruments**

On 1 January 2023, the Company adopted MFRS 9 Financial Instruments. This standard was issued in 2014, replacing MFRS 139 Financial Instruments: Recognition and Measurement, for annual periods beginning on or after January 1, 2018. However, the Company elected, under the amendments to MFRS 4 to apply the temporary exemption from MFRS 9, deferring the initial application date of MFRS 9 to align with the initial application of MFRS 17 on 1 January 2023.

This standard introduced new requirements for classification, measurement and impairment. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with the standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained earnings, reserves and FVOCI reserves.

Changes to classification and measurement

The nature of the changes in accounting policies can be summarised as follows:

The classification of financial assets is generally based on the Company's business model in which a financial asset is managed and its contractual cash flow characteristics. The MFRS 139 measurement categories for financial assets at FVTPL, financial assets at AFS, financial assets at amortised cost, loans and receivables at amortised cost have been replaced by:

- Financial assets at FVTPL including equity instruments and debt instruments
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition
- Debt instruments at amortised cost

The Company's classification of their financial assets is explained in note 2.2(c). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed in note 26(b).

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(b) **MFRS 9 Financial Instruments (continued)**

Changes to the impairment calculation

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets held at FVOCI or amortised cost by replacing MFRS 139's incurred loss model with a forward-looking ECL model. This requires considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVTPL. Details of the Company's impairment methodology are disclosed in Note 2.2(e). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed.

Impact of adoption of MFRS 9 on Statement of Financial Position as at 1 January 2023

The following table sets out the financial impact of adopting MFRS 9 on the statement of financial position as at 1 January 2023.

	Takaful contract liabilities RM'000	Deferred tax liabilities RM'000	FVOCI reserves RM'000	Takaful finance reserve RM'000	Retained earnings RM'000
Closing balance as at 31 December 2022 (Restated)	2,469,938	13,881	(8,778)	1,660	395,405
Effect on adoption of MFRS 9:					
Change of classification for investment in investment- linked funds	-	-	(3,031)	-	3,031
- Recognition of ECL impact	5	(6)	69	(64)	(4)
	5	(6)	(2,962)	(64)	3,027
Opening balance as at 1 January 2023 (Restated)	2,469,943	13,875	(11,740)	1,596	398,432

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26 **EFFECTS ON ADOPTION OF MFRS 17 INSURANCE CONTRACTS AND MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)**

(b) **MFRS 9 Financial Instruments (continued)**

Impact of adoption of MFRS 9 on Statement of Financial Position as at 1 January 2023

The following table reconciles the aggregate opening loan loss provision allowances under MFRS 139 to the ECL allowances under MFRS 9.

<u>Company</u>	Incurring loss provision under MFRS 139 as at 31.12.2022 RM'000	Re- measurement RM'000	ECLs under MFRS 9 as at 1.1.2023 RM'000
Impairment allowance for: Debt instruments at FVOCI under MFRS 9	-	69	69