



MAYBANK AGEAS HOLDINGS BERHAD
(33361-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2015

33361-W

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of shared services to its subsidiaries on a reimbursement basis. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	<u>399,475</u>	<u>369,424</u>
Attributable to:		
Equity holders of the Company	399,466	369,424
Non-controlling interest	9	-
	<u>399,475</u>	<u>369,424</u>

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

In the opinion of the directors, the results of the operations of the Group and Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2014 was as follows:

	RM'000
In respect of financial year ended 31 December 2015, interim dividend of:	
- RM0.993 per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	<u>250,241</u>

The interim dividend was declared on 24 February 2015 and paid on 22 June 2015. The directors do not recommend the payment of any final dividend in respect of the current financial year.

MAYBANK AGEAS HOLDINGS BERHAD
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MAYBANK GROUP EMPLOYEE SHARE SCHEME ("ESS")

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within the MBB Group. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Schemes ("ESOS") and Restricted Share Units ("RSU").

The maximum number of ordinary shares of RM1 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme.

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Salleh Hj. Harun (Chairman)
Bart K. A. De Smet (Vice Chairman)
Gary Lee Crist
Dato' Johan Ariffin
Datuk Abdul Farid Alias

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that period, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the MBB Group ESS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Notes 33 and 42 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares pursuant to the Employee Share Option Scheme ("ESOS") and Restricted Share Units ("RSU") of the ultimate holding company, MBB, during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 each			
	As at 1.1.2015	Issued pursuant to RSU	DRP*	As at 31.12.2015
Direct interest:				
Dato' Mohd Salleh Hj. Harun	354,132	-	19,053	373,185
Dato' Johan Ariffin	263,001	-	14,150	277,151
Datuk Abdul Farid Alias	85,025	65,184	6,312	156,521

* DRP = Dividend Reinvestment Plan

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

	Original Exercise Price RM	Granted	Number of options from ESOS over ordinary shares of RM1 each			
			Vested as at 1.1.2015	Vested	Exercised	Vested as at 31.12.2015
Datuk Abdul Farid Alias	8.82 ¹	1,000,000 [^]	691,000	300,000	-	991,000
	9.91 ²	1,410,000	210,000	300,000	-	510,000
			901,000	600,000	-	1,501,000

¹ Revised to RM8.75 on 29 October 2012 based on the revision to ESOS First Grant's exercise price.

² Revised to RM9.84 on 30 June 2015 based on the revision to ESOS Fourth Grant's exercise price.

[^] Shares options from ESOS granted and vested prior to the appointment as MBB Group President and Chief Executive Officer ("CEO") are 1,000,000 and 575,000 respectively.

Number of RSU of ordinary shares of RM1.00 each								
Grant Date	Granted as at 1.1.2015	Adjustment pursuant to DRP	Granted	Granted as at 31.12.2015	Vested	Forfeited	Outstanding as at 31.12.2015	
					during the financial year	during the financial year		
Datuk Abdul Farid Alias	30.4.2012	75,000 ^{^^}	1,434	-	76,434	65,184	11,250	-
	30.4.2013	75,000 ^{^^}	-	-	75,000	-	-	75,000
	30.4.2014	200,000	-	-	200,000	-	-	200,000
	30.4.2015	-	-	200,000	200,000	-	-	200,000
		350,000	1,434	200,000	551,434	65,184	11,250	475,000

^{^^} RSU granted prior to the appointment as MBB Group President and CEO.

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DIRECTORS' INTERESTS

The remaining ESOS and RSU which were granted to the director have not been vested as at 31 December 2015. The remaining ESOS and RSU will be vested and exercisable upon the fulfillment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and
 - (iii) to ascertain that there was adequate provision for the insurance and takaful contract liabilities of the insurance and takaful subsidiaries in accordance with the valuation methods specified in the Risk-Based Capital Framework for Insurers ("RBC Framework") and the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by Bank Negara Malaysia ("BNM").
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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OTHER STATUTORY INFORMATION (CONTD.)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i), contingent or other liabilities do not include liabilities arising from contracts of insurance/takaful underwritten in the ordinary course of business of the insurance and takaful subsidiaries.

SIGNIFICANT EVENTS

There were no significant events during the financial year other than as disclosed in Note 48 to the financial statements.

SUBSEQUENT EVENT

There were no material events subsequent to the end of the financial year that require disclosures or adjustments to the financial statements.

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AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated: 23 February 2016.



DATO' JOHAN ARIFFIN



DATUK ABDUL FARID ALIAS

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

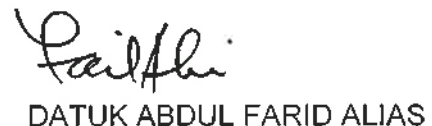
STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Johan Ariffin and Datuk Abdul Farid Alias, being two of the directors of Maybank Ageas Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 203 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2016.



DATO' JOHAN ARIFFIN



DATUK ABDUL FARID ALIAS

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Kamaludin Ahmad, being the officer primarily responsible for the financial management of Maybank Ageas Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 203 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed KAMALUDIN AHMAD
at Kuala Lumpur in Wilayah
Persekutuan on 23 February 2016

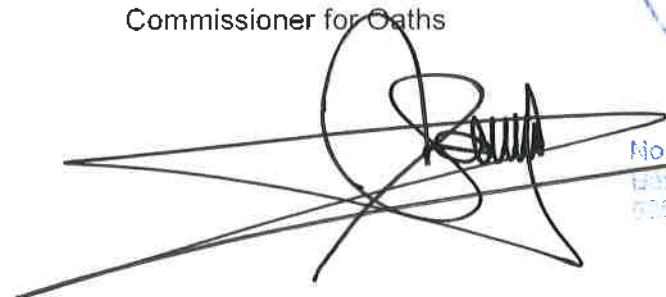


KAMALUDIN AHMAD



Before me,

Commissioner for Oaths



No.10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

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**Independent auditors' report to the members of
Maybank Ageas Holdings Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Maybank Ageas Holdings Berhad which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Group and of the Company for the financial year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 203.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of the financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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**Independent auditors' report to the members of
Maybank Ageas Holdings Berhad (Contd.)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year ended 31 December 2015 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) we are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) the auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants



Yeo Beng Yean
No. 3013/10/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2016

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets:					
Property, plant and equipment	3	131,571	130,215	-	-
Investment properties	4	714,912	587,930	-	-
Prepaid land lease payments	5	19,268	19,571	-	-
Intangible assets	6	54,776	36,415	-	-
Investment in subsidiaries	7	-	-	1,636,470	1,593,582
Investment in associates	8	1,238	9,271	-	-
Investments	9	24,790,134	24,632,518	234,297	155,009
Financing receivables	11	280,274	293,610	1,332	1,712
Reinsurance/retakaful assets	12	3,560,828	4,401,988	-	-
Insurance/takaful receivables	13	529,670	554,909	-	-
Other receivables	14	417,193	589,740	4,142	8,605
Derivative assets	15	2,820	12,646	-	-
Deferred tax assets	16	22,000	22,738	-	-
Current tax assets		66,766	86,335	1,099	-
Cash and bank balances		289,773	247,767	866	1,855
Total Assets		30,881,223	31,625,653	1,878,206	1,760,763
Equity:					
Share capital	17	252,005	252,005	252,005	252,005
Reserves	18	4,469,312	4,247,017	1,530,951	1,411,811
		4,721,317	4,499,022	1,782,956	1,663,816
Non-controlling interest		-	804	-	-
Total Equity		4,721,317	4,499,826	1,782,956	1,663,816
Liabilities:					
Insurance/takaful contract liabilities	19	23,058,200	24,209,875	-	-
Subordinated obligations	20	800,000	800,000	-	-
Expense liabilities	21	470,531	397,742	-	-
Derivative liabilities	15	59,298	15,134	-	-
Deferred tax liabilities	16	529,420	459,840	189	203
Insurance/takaful payables	22	458,115	489,167	-	-
Other payables	23	773,026	701,654	95,061	95,844
Interest/profit payable on subordinated obligations	20	11,316	11,334	-	-
Current tax liabilities		-	41,081	-	900
Total Liabilities		26,159,906	27,125,827	95,250	96,947
Total equity and liabilities		30,881,223	31,625,653	1,878,206	1,760,763

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating revenue	24	<u>6,209,226</u>	<u>6,110,069</u>	<u>379,196</u>	<u>21,491</u>
Gross earned premiums/ contributions	25(a)	5,201,074	4,841,427	-	-
Earned premiums/contributions ceded to reinsurers/retakaful	25(b)	<u>(1,138,704)</u>	<u>(1,002,905)</u>	-	-
Net earned premiums/ contributions		<u>4,062,370</u>	<u>3,838,522</u>	-	-
Fee and commission income	26	72,355	79,561	-	-
Investment income	27	1,070,744	1,092,370	379,196	21,491
Realised gains	28	195,847	532,868	1,863	12,708
Fair value losses	29	(58,926)	(4,558)	-	-
Other operating (expenses)/ income, net	30	<u>(241,480)</u>	<u>(151,065)</u>	<u>(7,098)</u>	<u>1,224</u>
Other revenue		<u>1,038,540</u>	<u>1,549,176</u>	<u>373,961</u>	<u>35,423</u>
Gross benefits and claims paid	31(a)	(4,106,030)	(4,067,619)	-	-
Claims ceded to reinsurers/ retakaful	31(b)	614,303	1,263,470	-	-
Gross change in contract/certificate liabilities	31(c)	987,418	(3,021,099)	-	-
Change in contract/certificate liabilities ceded to reinsurers/retakaful	31(d)	<u>(813,402)</u>	<u>2,356,406</u>	-	-
Net benefits and claims		<u>(3,317,711)</u>	<u>(3,468,842)</u>	-	-
Management expenses	32	(630,275)	(605,019)	(12,753)	(12,488)
Reimbursement of shared services		9,887	10,269	9,887	10,269
Change in expense liabilities	35	(72,789)	(44,000)	-	-
Fee and commission expenses	36	(449,570)	(414,413)	-	-
Interest on subordinated obligations		(34,210)	(28,675)	-	-
Tax borne by policyholders/ participants	37	<u>(33)</u>	<u>(70,044)</u>	-	-
Other expenses		<u>(1,176,990)</u>	<u>(1,151,882)</u>	<u>(2,866)</u>	<u>(2,219)</u>

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTD.)

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax and share of profit of associates		606,209	766,974	371,095	33,204
Share of results of associates		(1,857)	669	-	-
Profit before taxation after share of profit of associates		604,352	767,643	371,095	33,204
Taxation	37	(196,821)	(219,803)	(1,671)	(4,974)
Zakat		(8,056)	(5,680)	-	-
Net profit for the year		<u>399,475</u>	<u>542,160</u>	<u>369,424</u>	<u>28,230</u>
Profit attributable to:					
Equity holders of the Company		399,466	542,152	369,424	28,230
Non-controlling interest		9	8	-	-
		<u>399,475</u>	<u>542,160</u>	<u>369,424</u>	<u>28,230</u>

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit for the year		<u>399,475</u>	<u>542,160</u>	<u>369,424</u>	<u>28,230</u>
Other comprehensive income/(loss):					
Item that will not be reclassified to income statement					
Share of other comprehensive income of associates		-	(3)	-	-
Item that may be subsequently reclassified to income statement					
Change in value of Available-for-Sale ("AFS") financial assets, net		17,663	(84,169)	(43)	609
- Fair value changes		213,909	231,208	1,806	812
- Transfer to profit or loss upon disposal	28	(112,463)	(447,739)	(1,863)	-
- Fair value adjustments on AFS financial assets backing participants' funds		(74,471)	96,297	-	-
Tax effect relating to AFS financial assets	37	(9,312)	36,065	14	(203)
Currency translation differences		<u>56,315</u>	<u>9,742</u>	<u>-</u>	<u>-</u>
Other comprehensive income/ (losses) for the year, net of tax		<u>73,978</u>	<u>(74,430)</u>	<u>(43)</u>	<u>609</u>
Total comprehensive income for the year		<u>473,453</u>	<u>467,730</u>	<u>369,381</u>	<u>28,839</u>
Total Comprehensive income attributable to:					
Equity holders of the Company		473,444	467,722	369,381	28,839
Non-controlling interest		9	8	-	-
		<u>473,453</u>	<u>467,730</u>	<u>369,381</u>	<u>28,839</u>

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

MAYBANK AGEAS HOLDINGS BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

Group	Note	Share Capital RM'000	Share Premium RM'000	Non-distributable----->			Retained Earnings			Total Equity Attributable to Shareholders RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
				Share Reserves RM'000	AFS Reserves RM'000	Other Reserves RM'000	Non- Distributable Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000			
At 1 January 2015		252,005	401,561	(32,972)	30,431	1,409,843	2,438,154	3,847,997	4,499,022	804	4,499,826	
Net profit after tax for the year		-	-	-	-	149,750	249,716	399,466	399,466	9	399,475	
Other comprehensive income for the year		-	-	17,663	56,315	-	-	-	73,978	-	73,978	
Total comprehensive income		-	-	17,663	56,315	149,750	249,716	399,466	473,444	9	473,453	
Disposal of subsidiary		-	-	-	-	-	(908)	(908)	(908)	(801)	(1,709)	
Transfer from non-par surplus upon recommendation by the Appointed Actuary		-	-	-	-	(12,339)	12,339	-	-	-	-	
Dividend on ordinary shares	38	-	-	-	-	-	(250,241)	(250,241)	(250,241)	(12)	(250,253)	
At 31 December 2015		252,005	401,561	(15,309)	86,746	1,547,254	2,449,060	3,996,314	4,721,317	-	4,721,317	

MAYBANK AGEAS HOLDINGS BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTD.)**

Group	Note	Share Capital RM'000	Share Premium RM'000	Non-distributable----->			Retained Earnings			Total Equity Attributable to Shareholders RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
				Share Reserves RM'000	AFS Reserves RM'000	Other Reserves RM'000	Non- Distributable Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000			
At 1 January 2014		252,005	401,561	51,197	20,692		1,188,727	2,667,246	3,855,973		4,581,428	4,581,428
Net profit after tax for the year		-	-	-	-	-	219,793	322,359	542,152		542,152	542,160
Other comprehensive (loss)/income for the year		-	-	(84,169)	9,739		-	-	-		(74,430)	(74,430)
Total comprehensive (loss)/income		-	-	(84,169)	9,739		219,793	322,359	542,152		467,722	467,730
Non-par surplus reclassified from distributable to non-distributable retained profits		-	-	-	-	-	1,323	(1,323)	-		-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	-		-	801
Dividend on ordinary shares	38	-	-	-	-	-	-	(550,128)	(550,128)		(550,128)	(550,133)
At 31 December 2014		252,005	401,561	(32,972)	30,431		1,409,843	2,438,154	3,847,997		4,499,022	4,499,826

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

Company	Share Capital RM'000	Share Premium RM'000	Non-distributable AFS Reserves RM'000	Other Reserve RM'000	Retained Profits RM'000	Distributable Total Equity RM'000
At 1 January 2015	252,005	401,561	609	7,300	1,002,341	1,663,816
Net profit after tax for the year	-	-	-	-	369,424	369,424
Other comprehensive losses for the year	-	-	(43)	-	-	(43)
Total comprehensive (losses)/ income	-	-	(43)	-	369,424	369,381
Dividend on ordinary shares (Note 38)	-	-	-	-	(250,241)	(250,241)
At 31 December 2015	252,005	401,561	566	7,300	1,121,524	1,782,956
At 1 January 2014	252,005	401,561	-	7,300	1,524,239	2,185,105
Net profit after tax for the year	-	-	-	-	28,230	28,230
Other comprehensive income for the year	-	-	609	-	-	609
Total comprehensive income	-	-	609	-	28,230	28,839
Dividend on ordinary shares (Note 38)	-	-	-	-	(550,128)	(550,128)
At 31 December 2014	252,005	401,561	609	7,300	1,002,341	1,663,816

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	604,352	767,643	371,095	33,204
<i>Adjustments for:</i>				
Amortisation of:				
- intangible assets	5,444	16,272	-	-
- prepaid land lease payments	303	303	-	-
Depreciation of property, plant and equipment	14,255	14,335	-	-
Fair value losses/(gains) on:				
- investments	160,796	4,531	-	-
- investment properties	(101,870)	27	-	-
(Gains)/losses on disposal of:				
- investments	(196,210)	(532,897)	(558)	-
- property, plant and equipment	363	29	-	-
Gain on liquidation of subsidiaries	-	-	(1,305)	(12,708)
Gross dividend income	(116,763)	(101,484)	(374,416)	(649)
Interest/profit and rental income	(976,230)	(1,006,224)	(4,349)	(20,842)
Interest expense	34,210	28,675	-	-
(Reversal of impairment losses)/				
impairment losses on:				
- receivables	(5,529)	(21,088)	7,161	1
- investments	321,000	180,768	-	19
- investment in associate	7,592	-	-	-
- others	(101)	6,028	-	-
Bad debts written off	6,099	2,119	-	-
Share of profit of associates' results	1,857	(669)	-	-
Taxation of life and takaful funds	33	70,044	-	-
Unrealised gain on foreign exchange	(38,305)	(5,477)	-	-
<i>Operating loss before changes in assets and liabilities</i>	(278,704)	(577,065)	(2,372)	(975)

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTD.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Net proceeds from disposal/ (purchase) of investments	1,432,642	(1,280,408)	1,836	(102,629)
Net (increase)/decrease in fixed and call deposits	(1,792,506)	1,375,049	(79,316)	796,432
	(638,568)	(482,424)	(79,852)	692,828
Decrease/(increase) in reinsurance assets	841,261	(2,475,498)	-	-
Decrease in financing receivables	12,880	17,845	380	379
Decrease/(increase) in insurance receivables	30,544	(100,081)	-	-
Decrease/(increase) in other receivables	165,631	(257,488)	(1,019)	(8,182)
(Decrease)/increase in insurance payables	(31,052)	144,710	-	-
Increase/(decrease) in payables	71,372	(52,570)	(783)	(2,410)
Increase in expense liabilities	72,789	44,000	-	-
(Decrease)/increase in insurance/ takaful contract liabilities	(1,101,219)	2,692,986	-	-
Foreign exchange effects	12,316	7,300	-	-
Investment income received	1,100,579	1,093,555	377,085	23,064
Tax paid	(155,423)	(235,803)	(3,671)	(4,347)
Zakat paid	(7,302)	(8,426)	-	-
Mudharabah paid	(108,510)	(117,516)	-	-
<i>Net cash generated from operating activities</i>	<u>265,298</u>	<u>270,590</u>	<u>292,140</u>	<u>701,332</u>

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTD.)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital repayment from subsidiaries	-	(12,706)	100,636	12,000
Capital injection in subsidiary	-	-	(143,524)	(165,261)
Purchase of intangible assets	(23,783)	(23,774)	-	-
Purchase of property, plant and equipment	(13,948)	(30,502)	-	-
Purchase of investment properties	(25,112)	(12,503)	-	-
Proceeds from disposal of property, plant and equipment	-	29	-	-
Proceeds from disposal of a subsidiary	100,636	-	-	-
<i>Net cash generated from/(used in) investing activities</i>	<u>37,793</u>	<u>(79,456)</u>	<u>(42,888)</u>	<u>(153,261)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of dividends	(250,241)	(550,133)	(250,241)	(550,128)
Interest paid on subordinated obligation	(34,228)	(27,525)	-	-
Issue of subordinated obligation	-	300,000	-	-
<i>Net cash used in financing activities</i>	<u>(284,469)</u>	<u>(277,658)</u>	<u>(250,241)</u>	<u>(550,128)</u>

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTD.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net increase/(decrease) in cash and cash equivalents	18,712	(86,524)	(989)	(2,057)
Effects of exchange rate changes	23,294	1,008	-	-
Cash and cash equivalents at beginning of year	247,767	333,283	1,855	3,912
Cash and cash equivalents at end of year	289,773	247,767	866	1,855
Cash and cash equivalents comprise:				
Cash and bank balances:				
Shareholders' and general funds	107,264	102,072	866	1,855
Life fund	70,294	46,324	-	-
General takaful fund	51,037	49,572	-	-
Family takaful fund	61,178	49,799	-	-
	289,773	247,767	866	1,855

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and the provision of shared services to its subsidiaries on a reimbursement basis.

The principal activities of the subsidiaries are disclosed in Note 7.

There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

The holding and ultimate holding companies of the Company are Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, there were no new and revised MFRSs, amendments to MFRS and Issues Committee ("IC") Interpretations effective for annual periods beginning on or after 1 January 2015 which were relevant for the adoption of the Group and the Company.

The Company's subsidiaries, Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB"), have met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("the RBC Framework") and the Risk-Based Capital Framework for Takaful Operators ("the RBCT Framework") issued by BNM as at the reporting date.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (Contd.)

(b) Basis of measurement

The financial statements of the Group and the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000) unless otherwise stated.

(d) Use of estimate and judgements

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

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

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

- General insurance and takaful liabilities Note 2.2(xvi)
- Life insurance and family takaful liabilities Note 2.2 (xvii) and (xviii)

The notes referred to above present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the general insurance and takaful and the life insurance and family takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 44 of the financial statements.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(i) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company, using consistent accounting policies for transactions and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date that such control effectively ceases. Specifically, the Group controls an investee if and only if the Group has:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers relevant facts and circumstances in assessing whether it has power over the investee, including:

- (i) The contractual arrangement with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Company's voting rights and potential voting rights.

The assessment of control is performed continuously by the Company to determine if control exists or continues to exist over an entity.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

Subsidiaries are consolidated using the acquisition method.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Basis of Consolidation (Contd.)

The acquisition method involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss on the date of acquisition.

(ii) Investment in Subsidiaries

Subsidiaries are entities controlled by the Company.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(x) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as a gain or loss on disposal in the profit or loss.

(iii) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Company's separate financial statements, investments in associates are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(x). On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

Investments in associates are accounted for in the consolidated financial statements using the equity method. The associate is equity accounted for from the date the Group gains significant influence until the date the Group ceases to have significant influence over the associate.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Associates (Contd.)

Under the equity method, the interest in associate is initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group's share of the net assets of the associate since the acquisition date. Where there is a change recognised directly in other comprehensive income of the associate, the Group recognises its share of such changes.

In applying the equity method, profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised gains and losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealised losses should not be eliminated if and to the extent that the cost of the transferred asset can not be recovered.

When the Group's share of losses of an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net interest in the associate. The Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group applies MFRS 139 *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Properties, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The costs of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Freehold land has an unlimited useful life and therefore, is not depreciated.

Work-in-progress are also not depreciated as these assets are not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins.

Buildings on leasehold land are depreciated over the shorter of 50 years or the remaining period of the respective leases, whichever is shorter.

Depreciation on property, plant and equipment is computed on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings on freehold land	2%
Furniture and fittings, equipment and renovations	20% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

The residual values, useful lives and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Properties, Plant and Equipment and Depreciation (Contd.)

An item of property, plant 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 and the net carrying amount is recognised in profit or loss.

(v) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuations by internal professionals, as appropriate.

Gain or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to self-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(iv) up to the date of change in use. Where the fair value of the property exceeds its carrying amount, the difference or revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(v) Investment Properties (Contd.)

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC are determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations are performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

(vi) Leases

(a) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item to the Group. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Leases (Contd.)

(b) Finance Leases - the Group as Lessee

The useful lives of all leasehold buildings are shorter than the lease terms of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Group at the end of their useful lives. Accordingly, all leasehold buildings are classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the Group's statements of financial position and are measured in accordance with MFRS 116 *Property, Plant and Equipment* and MFRS 140 *Investment Properties*.

(c) Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented in the statements of financial position according to the nature of the assets. Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

(d) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vii) Intangible Assets

Intangible assets include software development costs and computer software. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Amortisation is charged to profit or loss.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(a) Software Development Costs

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

(b) Computer Software and Licences

The useful lives of computer software and licences are amortised using the straight line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of financial assets at initial recognition and this depends on the purpose for which the financial assets were acquired or originated. The categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets.

(a) Financial Assets at FVTPL

Financial assets at FVTPL include held-for-trading ("HFT") financial assets and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. HFT financial assets also include derivatives and separated embedded derivatives.

Financial assets can only be designated at FVTPL upon initial recognition if the following criteria are 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 evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

(a) Financial Assets at FVTPL (Contd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest/profit and dividend income. Exchange differences, interest/profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

(b) LAR

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR. The accounting policies with respect to insurance/takaful receivables and reinsurance/retakaful assets are disclosed in Note 2.2(xii) and Note 2.2(xi) respectively. Financial assets classified in this category include financing receivables, advances and other receivables.

These financial assets are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest/profit method less accumulated impairment losses.

(c) AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated as available for sale, or are not classified in any of the two preceding categories.

After initial recognition, AFS financial assets are subsequently measured at fair value. Any gains or losses from changes in the fair value of AFS financial assets are recognised in other comprehensive income except for impairment losses, foreign exchange gains and losses on monetary instruments, dividend income and interest/profit calculated using the effective interest/profit method which are recognised in profit or loss.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Group and the Company have transferred substantially all the risks and rewards of the financial asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

(ix) Fair Value of Financial Assets at FVTPL and AFS Financial Assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instrument that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are stated at cost and assessed for impairment at each reporting date.

For non-exchange traded financial assets such as unquoted fixed income securities, i.e. unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb and Malaysia Retail Bond Portal provided by the Bond Pricing Agency Malaysia ("BPAM"). In the case of any downgraded or defaulted bond, internal valuations will be performed to determine the fair value of the bond. The fair values of structured deposits are based on market prices obtained from the respective issuers. The market value of Negotiable Certificates of Deposit ("NCD")/Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ix) Fair Value of Financial Assets at FVTPL and AFS Financial Assets (Contd.)

Over-the-counter derivatives comprise of foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counterparties in accordance with market conventions.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

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 instruments 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 investment, except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

(x) Impairment

(a) Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset.

Insurance/takaful receivables

To determine whether there is objective evidence that an impairment loss on insurance/takaful receivables has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments.

Insurance/takaful receivables are initially assessed individually for those receivables that are deemed to be individually significant. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(a) Financial Assets (Contd.)

Receivables that are not individually significant or that have been individually assessed with no evidence of impairment are grouped together for collective impairment assessment. These receivables are grouped within similar credit risk characteristics for collective assessment using such data as considered appropriate for purposes of grouping.

Collective loss estimates are based on the historical loss experience of the Group and of the Company which could include the Group's and the Company's past experience in collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables. The product of collective loss estimates and grouped receivables represents the expected impairment losses for that portfolio of receivables. The impairment loss is recognised in profit or loss.

The methodology and assumptions used in determining collective loss estimates are reviewed regularly by the Group and the Company to reduce any differences between loss estimates and actual loss experience.

Impairment losses on insurance/takaful receivables are recognised as a reduction against the carrying amount through the use of an allowance account. When an insurance/takaful receivable becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off in the financial statements are recognised in profit or loss.

Subsequent reversals of impairment loss are recognised when the decrease can be related objectively to an event occurring after the impairment was recognised to the extent that the carrying amount of the asset does not exceed its amortised cost had the impairment loss not been recognised. The reversal is recognised in profit or loss.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(a) Financial Assets (Contd.)

AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment losses previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on equity investments classified as AFS financial assets are not reversed through profit or loss in subsequent periods. Increases in fair value, if any, subsequent to impairment are recognised in other comprehensive income. For debt instruments classified as AFS financial assets, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after impairment.

Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on unquoted equity securities carried at cost has been incurred, the carrying amount is written down to the estimated recoverable amount which is determined as the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The impairment loss is recognised in profit and loss and such impairment losses are not reversed subsequent to its recognition.

Loans and receivables

Loans and receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment loss as a result of the occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(b) Non-Financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor does it exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(xi) Reinsurance/retakaful Assets

The insurance and takaful subsidiaries in the Group cede insurance/takaful risk in the normal course of their business. Ceded reinsurance/retakaful arrangements do not relieve the insurance and takaful subsidiaries of the Group from their obligations to policyholders/participants. For both ceded and assumed reinsurance/retakaful, premiums/contributions, claims and benefits paid or payable are presented on a gross basis.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xi) Reinsurance/retakaful Assets(contd.)

Reinsurance/retakaful arrangements, entered into by the insurance and takaful subsidiaries of the Group, that meet the classification requirements of insurance/takaful contracts as described in Note 2.2(xv), are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance/retakaful assets represent amounts recoverable from reinsurers or retakaful operators for insurance/takaful contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers or retakaful operators are measured consistently with the amounts associated with the underlying insurance/takaful contract and the terms of the relevant reinsurance/retakaful arrangement.

At each reporting date, or more frequently, the insurance and takaful subsidiaries of the Group determine whether objective evidence exists that reinsurance/retakaful assets are impaired. Objective evidence of impairment for reinsurance/retakaful assets are similar to those noted for insurance/takaful receivables as described in Note 2.2(x)(a). If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

(xii) Insurance/takaful Receivables

Insurance/takaful receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that an insurance/takaful receivable is impaired, the Group reduces the carrying amount of the insurance/takaful receivable accordingly and recognises that impairment loss in profit or loss. Objective evidence of impairment for insurance/takaful receivables and the determination of consequential impairment losses are as described in Note 2.2(x)(a).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xii) Insurance/takaful Receivables (Contd.)

Insurance/takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(viii) have been met.

(xiii) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash and bank balances.

(xiv) Equity Instruments

Ordinary and preference shares are classified as equity. Dividends on ordinary and preference shares are recognised and accounted for in equity in the year in which they are declared.

(xv) Product Classification

The insurance and takaful subsidiaries of the Group issue contracts that contain insurance/takaful risk or both insurance/takaful risk and financial risk.

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

An insurance/takaful contract is a contract under which an entity has accepted significant insurance or takaful risk from another party (the policyholders or the participants) by agreeing to compensate the policyholders or participants if a specified uncertain future event (the insured event) adversely affects the policyholders/participants. As a general guideline, the insurance and takaful subsidiaries of the Group define whether significant insurance/takaful risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the insurance and takaful risk accepted is deemed to be significant.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) Product Classification (Contd.)

Investment contracts are those contracts that transfer financial risk with no significant insurance/takaful risk.

Once a contract has been classified as an insurance/takaful contract, it remains an insurance/takaful contract for the remainder of its life-time, even if the insurance/takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as an insurance/takaful contract after inception if insurance/takaful risk becomes significant.

Insurance/takaful and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the insurance and takaful subsidiaries of the Group may exercise their discretion as to the quantum and timing of their payment to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance/takaful contract liabilities as at the end of the reporting period.

For financial options and guarantees which are not closely related to the host insurance/takaful contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance/takaful contract and/or investment contract with DPF, or if the host insurance/takaful contract and/or investment contract itself is measured at fair value through profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) Product Classification (Contd.)

When an insurance/takaful contract contains both a financial risk (or deposit) component and a significant insurance/takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying components are required to be unbundled unless all obligations and rights arising from the deposit component have already been accounted for. Any premiums/contributions relating to the insurance/takaful risk component are accounted for on the same bases as insurance/takaful contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

(xvi) General insurance/general takaful contract liabilities

The general insurance/takaful contract liabilities of the Group comprise claim liabilities and premium/contribution liabilities.

(a) Claim Liabilities

Claim liabilities represent the Group's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities comprise the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate and include a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

Liabilities for outstanding claims are recognised upon notification by policyholders/participants.

Claim liabilities are determined based upon valuations performed by the Signing Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General insurance/general takaful contract liabilities (Contd.)

(b) Premium/contribution Liabilities

Premium/contribution liabilities represent the Group's future obligations on insurance/takaful contracts as represented by premiums/contributions received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the term of the insurance/takaful contracts and is recognised as premium/contribution income.

General insurance business

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and a PRAD as prescribed by BNM.

• UPR

The UPR for annual policies represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR as at the reporting date, the method that most accurately reflects the actual unearned premium is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business;
- 1/24th method for all other classes of local business reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;
- 1/8th method for all classes of overseas business with a deduction of 20% for commission.

Non-annual policies are time-apportioned over the period of the risks, after deducting commissions, that relate to the unexpired periods of policies at the end of the financial year.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General insurance/ takaful contract liabilities (Contd.)

(b) Premium/contribution Liabilities (Contd.)

General insurance business (contd.)

- URR

The URR is prospective estimate of the expected future payments arising from future events insured under policies in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds. URR is estimated via an actuarial valuation performed by the Signing Actuary.

General takaful business

In accordance with the valuation requirements of the RBCT Framework, contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all lines of business or the best estimate value of the URR at the end of the financial year and a PRAD as prescribed by BNM.

- UCR

UCR represent the portion of the gross contributions of takaful certificates written net of the related retakaful contributions ceded to qualified retakaful operators that relate to the unexpired periods of the certificates at the reporting date.

Mudharabah

Short-term UCR represent the portion of net contribution income that relate to the unexpired period of certificates, with a duration not exceeding one year, at the reporting date.

In determining short-term UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used as follows:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General insurance/ takaful contract liabilities (Contd.)

(b) Premium/contribution Liabilities (Contd.)

General takaful business (Contd.)

- 25% method for marine cargo and aviation cargo, and transit business; and
- 1/365th method for all other classes of general takaful business, reduced by the percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM.

Long term UCR represent the portion of net contribution income of takaful certificates, with a duration exceeding one year, that relate to the unexpired periods of certificates at the reporting date. The earned contribution income is recognised on a time apportionment basis over the duration of the certificates.

Wakalah

The UCR for wakalah business is calculated on net contribution income with a further deduction for wakalah fee expenses to reflect the wakalah business principle. The method used to calculate UCR is similar to that used for mudharabah business. No further deduction for commission expenses is made as commission expenses are borne by the shareholder's fund.

• URR

The URR is a prospective estimate of the expected future payments arising from future events insured under certificates in force as at the reporting date and also includes allowance for expenses, including overheads and cost of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds. URR is estimated via an actuarial valuation performed by the Signing Actuary.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) Life Insurance Contract Liabilities

Life insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the appropriate discount rate. This method is known as the gross premium valuation method.

For non-participating business, the expected future cash flows of guaranteed benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of policy reserves at the 75% confidence level is secured. For participating business, the higher of the guaranteed benefit liabilities or the total benefit liabilities at fund level is taken. In computing the total benefit liabilities, the expected cash flows of total guaranteed and non-guaranteed benefits are determined using best estimate assumptions together with the assumption that the current bonus rate to policyholders will be maintained.

The liabilities in respect of the non-unit component of a non-participating deferred annuity and investment-linked policy have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy. The value of the unit component is the net asset value ("NAV") of the fund.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as liabilities if the accumulated amount is higher than the figure calculated using the gross premium valuation method.

For yearly renewable policies covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis.

For yearly renewable policies covering other contingencies such as medical benefits, recognised liabilities comprise the best estimate premium and claim liabilities with an appropriate allowance for PRAD.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) Life Insurance Contract Liabilities (Contd.)

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

(xviii) Family Takaful Certificate Liabilities

Family takaful certificates liabilities are recognised when certificates are in-force and contributions are charged.

The family takaful certificate liabilities are derecognised when the contract expires, is discharged or is cancelled.

Liabilities of the family takaful business are determined in accordance with valuation guidelines for takaful operators as issued by BNM. All family takaful liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the certificates, discounted at the risk-free discount rate. This method is known as the gross contribution valuation method.

For the family takaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

The liabilities in respect of the non-unit component of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The value of the unit component is the NAV of the fund.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xviii) Family Takaful Certificate Liabilities (Contd.)

For a 1-year family certificate covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis. For a 1-year family certificate or a 1-year extension to a family certificate covering contingencies other than life or survival, the liability for such family takaful certificate comprises contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

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

(xix) Financial Liabilities

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. During the financial year and as at the reporting date, the Group and the Company did not classify any of its financial liabilities at FVTPL.

The Group and the Company's other financial liabilities include other payables and subordinated obligations. Other payables are subsequently measured at amortised cost using the effective interest/profit method.

Subsequent to initial recognition, subordinated obligations are recognised at amortised cost using the effective interest/profit method. Subordinated obligations are classified as current liabilities unless the Group and the Company have a conditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xix) Financial Liabilities (Contd.)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(xx) Expense Liabilities

The expense liabilities of the shareholder's fund of the takaful subsidiary consist of expense liabilities of the general and family takaful funds which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in profit or loss.

(a) General Takaful Business

Expense liabilities in relation to the Group's general takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a PRAD as prescribed by BNM.

(1) Provision for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the calculation of UCR.

(2) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses in maintaining certificates with unexpired risks. The method used in computing UER is consistent with the calculation of URR.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xx) Expense Liabilities (Contd.)

(b) Family Takaful Fund

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration.

Expense liabilities are recognised when projected future expenses exceed the projected future income of takaful certificates.

(xxi) Liability Adequacy Test

At each reporting date, the Group reviews all insurance/takaful contract liabilities to ensure that the carrying amount is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to insurance/takaful contracts issued. In performing this review, the Group discounts all contractual cash flows and compares this against the carrying value of insurance/takaful contract liabilities. Any deficiency is recognised in profit or loss.

(xxii) Measurement and Impairment of Qard

In the event where the assets of the takaful funds are insufficient to meet the liabilities, the shareholders' fund is required to rectify the deficit of the takaful funds via a Qard, which is a profit free loan. The Qard shall be repaid from future surpluses of the affected takaful funds. In the shareholders' fund, the Qard is stated at cost less impairment losses, if any, whereas in the takaful funds, the Qard is stated at cost.

At each reporting date, the balance of the Qard and the ability of the affected funds to generate sufficient surpluses to repay the shareholders' fund is assessed. The likelihood that the Qard will be repaid and the duration of time that will be required to repay the Qard is determined and ascertained via projected cash flows which take into account past experience of the affected funds. The projected cash flows are then discounted to determine the recoverable value of the Qard.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxii) Measurement and Impairment of Qard (Contd.)

If the carrying amount of the Qard exceeds its recoverable amount, the difference is recognised as an impairment loss and the Qard is written down to its recoverable amount. Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

(xxiii) Insurance/takaful Payables

Insurance/takaful payables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(xxiv) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount 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 expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group and the Company.

(xxv) Premium/contribution Income

Premiums or contributions represent consideration paid for an insurance or takaful contract, respectively, and is accounted for as follows:

(a) General insurance/general takaful business

Premium/contribution income is recognised in the financial year in respect of risks assumed during that particular financial year. Premiums/contributions from direct business are recognised during the financial year upon the issuance of debit notes. Premiums/contributions in respect of risks incepted for which debit notes have not been issued as of the reporting date are accrued at that date.

Inward facultative reinsurance premiums/retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies/certificates, following the individual risks' inception dates.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxv) Premium/contribution Income (Contd.)

(a) General insurance/general takaful business (Contd.)

Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding insurers/takaful operators.

Outward reinsurance premiums/retakaful contributions are recognised in the same financial year as the original policies/certificates to which the reinsurance/retakaful relates.

(b) Life insurance/family takaful business

Premium/contribution income is recognised as soon as the amount of the premium/contribution can be reliably measured. Initial premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates. At the end of the financial year, all due premiums/contributions are accounted for to the extent that they can be reliably measured.

Outward reinsurance premiums/retakaful contributions are recognised in the same financial period as the original policies/certificates to which the reinsurance/retakaful relates.

Net creation of units, which represents premiums/contributions paid by policyholders/participants as payment for a new contract or subsequent payments to increase the amount of that contract, are reflected in profit or loss. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units have been received from policyholders/participants.

(xxvi) Benefits and Claims Expenses

(a) General insurance/takaful business

Claim expenses represent compensation paid or payable on behalf of the insured in relation a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting year even if they had not been reported to the Group.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Benefits and Claims Expenses (Contd.)

(b) Life insurance/family takaful business

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

Benefits and claims expenses, including settlement costs less reinsurance/retakaful recoveries, are accounted for using the case basis method and for this purpose, the amounts payable under a policy/certificate are recognised as follows:

- maturity and other policy/certificate benefit payments due on specified dates are treated as claims payable on the due dates; and
- 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.

Recoveries on reinsurance/retakaful claims are accounted for in the same financial year as the original claims are recognised.

(xxvii) Commission Expenses and Acquisition Costs

(a) General Insurance Business

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(b) General Takaful Business

Commission expenses net of income derived from retakaful, which are costs directly incurred in securing contributions on takaful certificates net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Commission Expenses and Acquisition Costs (Contd.)

(b) General Takaful Business (Contd.)

Mudharabah principle

Commission expenses are borne by the general takaful fund with the resulting underwriting surplus/deficit after expenses shared between the participants and the takaful subsidiary as advised by the Shariah Committee.

Wakalah principle

Commission expenses are borne by the shareholders' fund. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the takaful subsidiary.

(c) Life Insurance Business

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding premiums to reinsurers, are charged to profit or loss in the year in which they are incurred.

(d) Family Takaful Business

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income.

Mudharabah principle

Commission expenses are borne by the family takaful fund with the resulting underwriting surplus/deficit after expenses shared between the takaful subsidiary and the participants as advised by the Shariah Committee.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Commission Expenses and Acquisition Costs (Contd.)

(d) Family Takaful Business (Contd.)

Wakalah principle

Under the wakalah principle, commission expenses are borne by the shareholders' fund. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the takaful subsidiary.

(xxviii) Other Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Group and the Company and the amount of the revenue can be measured reliably.

(a) Interest/Profit Income

Interest/profit income is recognised using the effective interest/yield method.

(b) Dividend Income

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

(c) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Fund Management Fees

Fund management fees are recognised when services are rendered.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxviii) Other Revenue Recognition (Contd.)

(e) Management Fees

Management fee is recognised on an accrual basis for provision of bureau services and insurance related services to offshore reinsurers in accordance with the terms and conditions of the relevant agreements, when services are rendered.

(f) Wakalah fees

Wakalah fees represent fees charged by the shareholders' fund to manage takaful certificates issued by the general and family takaful funds under the principle of Wakalah and are recognised as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

(xxix) Fee and Commission Income

Policyholders and participants are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, the fees are deferred and recognised over those future periods.

Management fee income earned from investment-linked business is recognised on an accrual basis based on the NAV of the investment-linked funds.

(xxx) Employee Benefits

(a) Short-term Benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxx) Employee Benefits (Contd.)

(b) Defined Contribution Plans

As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF"). The insurance subsidiary and its foreign branches make contributions to their respective country's statutory pension scheme, being the Singapore Central Provident Fund ("CPF") and the Tabung Amanah Pekerja of Brunei ("TAP") respectively. Such contributions are recognised as an expense in profit or loss when incurred.

(c) Share-based Compensation

(1) ESOS

The ESOS is an equity-settled, share-based compensation plan that allows the Directors and employees of the Company and its subsidiaries to acquire shares of MBB. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to MBB over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, MBB revises its estimates of the number of options that are expected to become exercisable over the vesting period.

(2) Restricted share units ("RSU")

Senior management personnel of the MBB Group, including personnel of the Group and the Company, are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new MBB shares or by cash at the absolute discretion of the ESS Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within MBB's equity over the vesting period and taking into account the probability that the RSU will vest.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxx) Employee Benefits (Contd.)

(c) Share-based Compensation (Contd.)

(2) Restricted share units ("RSU")(Contd.)

The Group's and the Company's share of the RSU is recognised as an employee cost with a corresponding increase in the amount due to MBB. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

At each reporting date, MBB revises its estimates of the number of RSU that are expected to be awarded on vesting date.

(xxxi) Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxxi) Foreign Currencies (Contd.)

(b) Foreign Currency Transactions (Contd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under the foreign currency translation reserve in equity.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

(c) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- assets and liabilities of foreign operations presented are translated at the closing rate prevailing as at the reporting date;
- income and expenses are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to the income statements (as a reclassification adjustment) when the gain or loss on disposal is recognised.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxxii) Foreign Currencies (Contd.)

(c) Foreign Operations (Contd.)

The principal exchange rate for every unit of foreign exchange currency ruling at the reporting date used for translation of foreign operations is as follows:

	31.12.2015	31.12.2014
Singapore Dollar	3.04	2.65
100 Pakistan Rupee	0.04	0.03
United States Dollar	4.29	3.50
Brunei Dollar	3.04	2.65

(xxxiii) Income Tax

Income tax on 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 the taxable profit and surplus for the financial year and is measured using the tax rates that have been enacted as at the reporting date.

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 that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and included in profit or loss, except when it arises from a transaction which is recognised directly in equity or insurance/takaful contract liabilities, in which case the deferred tax is also recognised directly in other comprehensive income or insurance/takaful contract liabilities, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxxiii) **Zakat**

This represents business zakat payable by the takaful subsidiary in compliance with Shariah principles and as approved by the Group's Shariah Committee. Zakat provision is calculated based on the working capital method at 2.5%.

2.3 Revision in useful lives of intangible assets and servers and mainframes

As part of the annual assessment of the useful lives of the Group's and the Company's intangible assets, the useful lives of computer software and servers and mainframes were revised from 4 years to 10 years and from 4 years to 7 years respectively. The change in useful lives reflects the usage patterns in relation to these assets. In line with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the revision in useful lives has been accounted for as a change in accounting estimate and the resulting impact has been recognised prospectively in the financial statements.

The effects on the financial statements for the year ended 31 December 2015 are described below:

Income Statement	Group RM'000
Decrease in amortisation of intangible assets	13,571
Decrease in depreciation of property, plant & equipment	10
Increase in gross change in insurance contract liabilities	(1,831)
Increase in taxation borne by life policyholders	(159)
Increase in profit before taxation	11,591
Increase in tax expense	(2,837)
Increase in net profit for the year	<u>8,754</u>
 Statement of financial position	
Increase in intangible assets	13,571
Increase in property, plant and equipment	10
Increase in insurance contract liabilities	(1,831)
Increase in deferred tax liabilities	(2,996)
Increase in retained earnings	<u>8,754</u>

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective

The following are standards and annual improvements to standards issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intend to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 10 <i>Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to MFRS 10)	To be announced by MASB
MFRS 10 <i>Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception</i> (Amendments to MFRS 10)	1 January 2016
MFRS 11 <i>Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations</i> (Amendments to MFRS 11)	1 January 2016
MFRS 12 <i>Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception</i> (Amendments to MFRS 12)	1 January 2016
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 101 <i>Presentation of Financial Statements - Disclosure Initiative</i> (Amendments to MFRS 101)	1 January 2016
MFRS 116 <i>Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to MFRS 116)	1 January 2016
MFRS 127 <i>Separate Financial Statements - Equity Method in Separate Financial Statements</i> (Amendments to MFRS 127)	
MFRS 128 <i>Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to MFRS 128)	1 January 2016
MFRS 128 <i>Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception</i> (Amendments to MFRS 128)	1 January 2016
MFRS 138 <i>Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to MFRS 138)	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 9 *Financial Instruments*

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but a restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The HTM and AFS asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 9 *Financial Instruments* (Contd.)

(ii) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Group and the Company will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing, debt instruments and insurance/takaful receivables held by the Group and the Company and lease receivables under MFRS 117 *Leases*. MFRS 9 will change the Group's and the Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The Group has established a project team with assistance from consultants to plan and manage the implementation of MFRS 9 and is in the process of assessing the financial implications for adopting the new standard. This implementation project consists of the a few phases and is expected to run for 2 years.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10), MFRS 12 Disclosures of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 12) and MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)

The amendments address three issues arising in practice in the application of the investment entities consolidation exception.

- Amendments to MFRS 10 clarify that the exemption from presenting consolidated financial statements applies to parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. It also clarifies that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All subsidiaries that are themselves investment entities are measured at fair value through profit and loss.
- Amendments to MFRS 12 clarify the application of the standard to investment entities. An investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss, is required to present the disclosures in respect of investment entities required by MFRS 12.
- Amendments to MFRS 128 allow an entity that is not itself an investment entity, and that has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are applied retrospectively effective for annual periods beginning on or after 1 January 2016, with early application is permitted. The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101)

The amendments are a part of a major initiative to improve disclosure requirements in MFRS financial statements. These amendments include narrow-focus improvements in five areas as follows:

(i) Materiality

The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It also reemphasises that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted.

(ii) Disaggregation and subtotals

The amendments clarify that specific line items in the financial statements may be disaggregated.

It also introduces requirements for how an entity should present additional subtotals (in addition to those already required in MFRS) in the financial statements, where the additional subtotals must:

- be comprised of line items made up of amounts recognised and measured in accordance with MFRS;
- be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
- be consistent from period to period; and
- not be displayed with more prominence than the subtotals and totals currently required in MFRS for the financial statements.

For additional subtotals presented in the financial statements, an entity must presents the line items that reconcile any such subtotals with the subtotals or totals currently required in MFRS for such statements.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

**2.4 Standards and annual improvements to standards issued but not yet effective
(Contd.)**

**MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative
(Amendments to MFRS 101)**

(iii) Notes structure

The amendments clarify that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasise that understandability and comparability should be considered when deciding on that order.

Examples of systematic ordering or groupings of the notes include:

- Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position;
- Grouping together information about items measured similarly, such as assets measured at fair value; or
- Following the order of the line items in financial statements, similar to the order listed in current paragraph 114 of MFRS 101.

(iv) Disclosure of accounting policies

The amendments remove the examples of significant accounting policies in the current paragraph 20 of MFRS 101, i.e. the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be.

(v) Presentation of items of Other Comprehensive Income ("OCI") arising from equity accounted investments.

The amendments clarify that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116) and MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)

The amendments clarify the principle in MFRS 116 and MFRS 138 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group and the Company do not anticipate any impact to the financial statements upon adoption of the amendments as the Group and the Company have not used a revenue-based method to depreciate the non-current assets.

MFRS 127 *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments to MFRS 127)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements and the Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

Annual Improvements to MFRS

The following amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application is permitted:

Annual Improvements to MFRSs 2012–2014 Cycle

(i) MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

The amendment to MFRS 5 is applied prospectively and it clarifies that changing of disposal methods from held for sale to distribution to owners or vice versa should not be considered as a new plan of disposal but is, instead, it is a continuation of the original plan. It also clarifies that changing of the disposal method does not change the date of classification which means the sale or distribution to owner must be completed within one year from the original date of classification.

(ii) MFRS 7 *Financial Instruments: Disclosures*

Servicing Contracts

An entity is required to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. The amendment is applied retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

Applicability of the amendments to MFRS 7 to condensed interim financial statements

The amendment is applied retrospectively and it removes the phrase "and interim periods within those annual periods" from paragraph 44R, clarifying that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

MAYBANK AGEAS HOLDINGS BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

Annual Improvements to MFRS (Contd.)

(iii) MFRS 119 *Employee Benefits*

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bonds denominated in that currency must be used.

(iv) MFRS 134 *Interim Financial Reporting*

The amendment to MFRS 134 is applied retrospectively and it clarifies the meaning of 'elsewhere in the interim financial report'. It states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

The Group and the Company do not expect that the amendments on the annual improvements for the above standards will have significant financial implications in future financial statements.

MAYBANK AGEAS HOLDINGS BERHAD
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3. PROPERTY, PLANT AND EQUIPMENT

Group

	Properties # RM'000	Furniture & fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work in-progress RM'000	Total RM'000
2015							
Cost							
At 1 January 2015	121,892	57,506	26,606	35,064	1,447	1,325	243,840
Additions	-	3,474	2,298	896	357	6,923	13,948
Disposals	-	(378)	(23)	-	-	-	(401)
Write-off	-	-	(13)	-	(322)	-	(335)
Reclassification	-	3	-	116	-	(119)	-
Transfer from intangible assets	-	-	23	-	-	-	23
Translation differences	483	436	2,404	-	44	-	3,367
At 31 December 2015	122,375	61,041	31,295	36,076	1,526	8,129	260,442

**Accumulated Depreciation
and Impairment Losses**

At 1 January 2015	38,630	43,131	8,843	21,574	1,447	-	113,625
Depreciation charge for the year	2,254	5,730	4,489	1,707	75	-	14,255
Disposals	-	(21)	(17)	-	-	-	(38)
Write-off	-	-	(11)	-	(323)	-	(334)
Transfer from intangible assets	-	-	9	-	-	-	9
Translation differences	380	394	536	-	44	-	1,354
At 31 December 2015	41,264	49,234	13,849	23,281	1,243	-	128,871

Analysed as:

- Accumulated depreciation	39,253	49,212	13,849	23,281	1,243	-	126,838
- Accumulated allowance for impairment	2,011	22	-	-	-	-	2,033
	41,264	49,234	13,849	23,281	1,243	-	128,871

Net Book Value at 31 December 2015

	81,111	11,807	17,446	12,795	283	8,129	131,571
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MAYBANK AGEAS HOLDINGS BERHAD
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3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group

	Properties # RM'000	Furniture & fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Renovation & building- in-progress RM'000	Total RM'000
<u>2014</u>							
<u>Cost</u>							
At 1 January 2014	121,830	55,235	8,788	29,200	1,427	1,232	217,712
Additions	-	5,829	17,865	5,464	-	1,344	30,502
Disposals	-	(669)	(2)	-	-	-	(671)
Write-off	-	(2,010)	(347)	-	-	-	(2,357)
Reclassification	-	174	-	400	-	(574)	-
Transfer (to)/from intangible assets	-	(1,182)	224	-	-	(677)	(1,635)
Translation differences	62	129	78	-	20	-	289
At 31 December 2014	121,892	57,506	26,606	35,064	1,447	1,325	243,840
Accumulated Depreciation and Impairment Losses							
At 1 January 2014	36,333	39,095	4,988	20,316	1,393	-	102,125
Depreciation charge for the year	2,249	6,537	4,257	1,258	34	-	14,335
Disposals	-	(612)	(1)	-	-	-	(613)
Write-off	-	(1,933)	(339)	-	-	-	(2,272)
Transfer to intangible assets	-	-	(133)	-	-	-	(133)
Translation differences	48	44	71	-	20	-	183
At 31 December 2014	38,630	43,131	8,843	21,574	1,447	-	113,625
Analysed as:							
- Accumulated depreciation	36,619	43,109	8,843	21,574	1,447	-	111,592
- Accumulated allowance for impairment	2,011	22	-	-	-	-	2,033
	38,630	43,131	8,843	21,574	1,447	-	113,625
Net Book Value at 31 December 2014	83,262	14,375	17,763	13,490	-	1,325	130,215

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3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2015				
Cost				
At 1 January 2015	3,620	8,010	110,262	121,892
Translation differences	-	-	483	483
At 31 December 2015	<u>3,620</u>	<u>8,010</u>	<u>110,745</u>	<u>122,375</u>
Accumulated Depreciation and Impairment Losses				
At 1 January 2015	55	5,487	33,088	38,630
Depreciation charge for the year	-	45	2,209	2,254
Translation differences	-	-	380	380
At 31 December 2015	<u>55</u>	<u>5,532</u>	<u>35,677</u>	<u>41,264</u>
Analysed as:				
- Accumulated depreciation	-	3,576	35,677	39,253
- Accumulated allowance for impairment losses	55	1,956	-	2,011
	<u>55</u>	<u>5,532</u>	<u>35,677</u>	<u>41,264</u>
Net Book Value at 31 December 2015				
	<u>3,565</u>	<u>2,478</u>	<u>75,068</u>	<u>81,111</u>

MAYBANK AGEAS HOLDINGS BERHAD
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3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2014				
Cost				
At 1 January 2014	3,620	8,010	110,200	121,830
Reclassification	-	-	62	62
At 31 December 2014	<u>3,620</u>	<u>8,010</u>	<u>110,262</u>	<u>121,892</u>
Accumulated Depreciation and Impairment Losses				
At 1 January 2014	55	5,427	30,851	36,333
Depreciation charge for the year	-	45	2,204	2,249
Reclassification	-	15	(15)	-
Translation differences	-	-	48	48
At 31 December 2014	<u>55</u>	<u>5,487</u>	<u>33,088</u>	<u>38,630</u>
Analysed as:				
- Accumulated depreciation	-	3,531	33,088	36,619
- Accumulated allowance for impairment losses	55	1,956	-	2,011
	<u>55</u>	<u>5,487</u>	<u>33,088</u>	<u>38,630</u>
Net Book Value at 31 December 2014				
	<u>3,565</u>	<u>2,523</u>	<u>77,174</u>	<u>83,262</u>

MAYBANK AGEAS HOLDINGS BERHAD
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4. INVESTMENT PROPERTIES

Group

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Investment property under construction ("IPUC") RM'000	Total RM'000
<u>2015</u>				
At 1 January 2015	412,865	154,520	20,545	587,930
Additions	-	-	25,112	25,112
Fair value adjustment	34,800	67,070	-	101,870
At 31 December 2015	<u>447,665</u>	<u>221,590</u>	<u>45,657</u>	<u>714,912</u>
<u>2014</u>				
At 1 January 2014	412,865	154,547	8,042	575,454
Addition	-	-	12,503	12,503
Fair value adjustment	-	(27)	-	(27)
At 31 December 2014	<u>412,865</u>	<u>154,520</u>	<u>20,545</u>	<u>587,930</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repair, maintenance and enhancements other than disclosed in Note 40.

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2(v) which had been determined based on valuations that reflect market conditions at the end of the reporting period. During the financial year, the Company transferred the investment properties from Level 2 into Level 3 of the fair value hierarchy as detailed in Note 46 of the financial statements.

The IPUC as at 31 December 2015 is stated at cost less impairment as the fair value is not readily determinable.

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5. PREPAID LAND LEASE PAYMENTS

Group	2015	2014
	RM'000	RM'000
Cost		
At beginning/end of year	24,018	24,018
Accumulated amortisation and impairment losses		
At beginning of year	4,447	4,144
Amortisation charge for the year	303	303
At end of year	4,750	4,447
Analysed as:		
- Accumulated amortisation	4,573	4,270
- Accumulated allowance for impairment losses	177	177
	4,750	4,447
Net book value at end of the year	19,268	19,571

6. INTANGIBLE ASSETS

Group	2015	2014
	RM'000	RM'000
Cost		
At beginning of year	97,793	109,043
Additions	23,783	23,774
Write-off	-	(36,686)
Transfer (to)/from property, plant and equipment	(23)	1,635
Translation difference	95	27
At end of year	121,648	97,793
Accumulated amortisation and impairment losses		
At beginning of year	61,378	81,618
Amortisation charge for the year	5,444	16,272
Write-off	-	(36,686)
Transfer to property, plant and equipment	(9)	133
Translation difference	59	41
At end of year	66,872	61,378
Analysed as:		
- Accumulated amortisation	66,872	61,378
	66,872	61,378
Net book value at end of the year	54,776	36,415

MAYBANK AGEAS HOLDINGS BERHAD
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7. INVESTMENT IN SUBSIDIARIES

Company

	2015	2014
	RM'000	RM'000
Unquoted shares, at cost	1,636,470	1,593,582

Details of the subsidiaries of the Company are as follows:

Name of company	Country of incorporation	Effective interest (%)		Principal activities
		2015	2014	
Etiqua Insurance Berhad ("EIB")	Malaysia	100	100	Underwriting of general insurance, life insurance and investment-linked businesses
Etiqua Takaful Berhad ("ETB")	Malaysia	100	100	Management of general takaful, family takaful and investment-linked businesses
Etiqua Insurance Pte. Ltd. ("EIPL")	Singapore	100	100	Underwriting of general insurance and life insurance businesses
Etiqua Life International (L) Ltd. ("ELIL")	Malaysia	100	100	Offshore investment-linked business
Etiqua Offshore Insurance (L) Ltd. ("EOIL")	Malaysia	100	100	Provision of bureau services in the Federal Territory of Labuan
Etiqua Overseas Investment Pte. Ltd. ("EOIP")	Malaysia	100	100	Investment holding
Maybank Q-Income Fund ("QIF")	Malaysia	-	99	Fixed income fund
Double Care Sdn Bhd ("DCSB")	Malaysia	100	100	Member voluntary winding-up

MAYBANK AGEAS HOLDINGS BERHAD
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7. INVESTMENT IN SUBSIDIARIES (CONTD.)

Company Name of company	Country of incorporation	Effective interest (%)		Principal activities
		2015	2014	
Sri MGAB Berhad ("SMGAB")	Malaysia	100	100	Member voluntary winding-up
Sri MLAB Berhad ("SMLAB")	Malaysia	100	100	Member voluntary winding-up

There are no significant restrictions on the Group's ability to access or use its assets and settle its liabilities other than the following:

- (a) In line with the requirements of the Financial Services Act 2013, the Islamic Financial Services Act 2013 and the Labuan Financial Services and Securities Act 2010, the net assets of the Group's insurance and takaful funds amounting to RM19.54 billion cannot be transferred or used by other entities / components within the Group;
- (b) The net assets of the Company's insurance and takaful subsidiaries (amounting to RM9.11 billion and RM10.08 billion respectively) are subject to capital adequacy requirements prescribed by Bank Negara Malaysia. Any excess above net assets required to be held for capital purposes are available for utilisation or use for the benefit of the Company, subject to point (a) above; and
- (c) The net assets of the Company's insurance subsidiary in Singapore amounting to RM349 million are subject to margin of solvency requirements as prescribed by the Monetary Authority of Singapore. Any excess above net assets required to be held for margin of solvency purposes are available for utilisation or use for the benefit of the Company, subject to point (a) above.
- (d) The net assets of the Company's insurance subsidiary in Labuan amounting to RM4.9 million are subject to margin of solvency requirements as prescribed by the Labuan Financial Services Authority. Any excess above net assets required to be held for margin of solvency purposes are available for utilisation or use for the benefit of the Company, subject to point (a) above.

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8. INVESTMENT IN ASSOCIATES

Group	Pak-Kuwait Takaful Company Ltd.		Asian Forum Inc.		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares, at cost	6,309	6,309	152	152	6,461	6,461
Increase in shares	523	523	-	-	523	523
Post-acquisition reserve	6,832	6,832	152	152	6,984	6,984
Foreign exchange reserve	1,262	3,123	1,620	1,620	2,882	4,743
Allowance for impairment losses	(502)	(1,706)	(534)	(750)	(1,036)	(2,456)
	(7,592)	-	-	-	(7,592)	-
	-	8,249	1,238	1,022	1,238	9,271
Represented by:						
Share of net assets, after impairment losses	-	8,249	1,238	1,022	1,238	9,271

The associates are as follows:

Name of company	Country of incorporation	Effective interests (%)		Principal activities
		2015	2014	
Pak-Kuwait Takaful Company Ltd.	Pakistan	32.50	32.50	General and family takaful businesses
Asian Forum Inc.	Malaysia	33.33	33.33	Member voluntary winding-up

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8. INVESTMENT IN ASSOCIATES (CONTD.)

The summarised financial information of the associates are as follows:

	Pak-Kuwait Takaful Company Ltd.		Asian Forum Inc.	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets and liabilities				
Current assets	23,113	31,631	3,713	3,103
Non-current assets	3,584	3,126	-	-
Total assets	<u>26,697</u>	<u>34,757</u>	<u>3,713</u>	<u>3,103</u>
Current liabilities	3,217	9,377	-	36
Total liabilities	<u>3,217</u>	<u>9,377</u>	<u>-</u>	<u>36</u>
Results				
Revenue	9,816	9,045	-	-
Profit/loss for the year	<u>(2,164)</u>	<u>2,059</u>	<u>(49)</u>	<u>(2,043)</u>

The financial year end of both associates is 31 December. For the purposes of the consolidation, the unaudited financial position of the associates as at 30 September 2015 was used when determining the Group's share of the net assets. In respect of the Group's share of the net profit of the associates, the unaudited 12 months period (from 1 October 2014 to 30 September 2015) had been used. Had the financial position as at 31 December 2015 and the results of the associates for the 12 months period from 1 January 2015 to 31 December 2015 been used for the purposes of equity accounting, management is of the opinion that the differences would not be expected to be significant.

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9. INVESTMENTS

Group	2015	2014
	RM'000	RM'000
Malaysian government papers	1,495,715	1,358,779
Singapore government securities	41,179	1,058
Debt securities	14,799,747	16,133,462
Equity securities	3,221,978	3,870,087
Unit and property trust funds	236,603	201,014
Redeemable loan stocks	7	-
Structured products (Note 10)	1,114,697	988,260
Negotiable certificates of deposit ("NCD")	213,473	210,703
Negotiable Islamic certificates of deposit ("NICD")	138,269	133,195
Deposits with financial institutions	3,528,466	1,735,960
	<u>24,790,134</u>	<u>24,632,518</u>

The Group's financial investments are summarised by categories as follows:

	2015	2014
	RM'000	RM'000
Available-for-sale ("AFS")	9,162,339	9,554,195
Fair value through profit and loss ("FVTPL"):		
- Designated upon initial recognition	10,482,808	11,658,953
- Held for trading ("HFT")	1,616,521	1,683,410
Loan and receivables ("LAR")	3,528,466	1,735,960
	<u>24,790,134</u>	<u>24,632,518</u>

Group

The following investments mature after 12 months:

	2015	2014
	RM'000	RM'000
AFS	6,243,292	5,947,348
FVTPL		
- Designated upon initial recognition	10,041,649	10,906,887
- HFT	283,154	842,444
	<u>16,568,095</u>	<u>17,696,679</u>

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9. INVESTMENTS (CONTD.)

Group	2015 RM'000	2014 RM'000
(a) AFS		
<u>At fair value</u>		
Malaysian government papers	1,030,929	669,838
Singapore government securities	16,814	-
Debt securities:		
Quoted outside Malaysia	153,880	122,954
Unquoted in Malaysia	5,106,621	5,225,887
Unquoted outside Malaysia	43,428	41,194
Equity securities		
Quoted in Malaysia	2,381,292	3,061,186
Quoted outside Malaysia	56,531	36,494
Unit and property trust funds:		
Quoted in Malaysia	115,406	184,421
Quoted outside Malaysia	5,177	1,624
Unquoted in Malaysia	102,375	-
Structured products (Note 10)	69,542	81,281
NICD	28,093	27,065
<u>At cost</u>		
Equity securities:		
Unquoted in Malaysia		
Cost	55,032	105,032
Less: Allowance for impairment losses	(2,781)	(2,781)
	52,251	102,251
Total AFS financial assets	<u>9,162,339</u>	<u>9,554,195</u>

Included in AFS financial assets are assets amounting to RM35,000,000 (31.12.2014: RM35,000,000) which have been pledged to obtain a banking facility from MBB.

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9. INVESTMENTS (CONTD.)

Group	2015 RM'000	2014 RM'000
(b) FVTPL		
(i) Designated upon initial recognition		
<u>At fair value</u>		
Malaysian government papers	375,031	614,766
Singapore government securities	24,365	1,058
Debt securities:		
Quoted outside Malaysia	53,276	8,789
Unquoted in Malaysia	9,061,284	10,227,420
Unquoted outside Malaysia	183,009	149,389
Structured products (Note 10)	462,194	340,698
NCD	213,473	210,703
NICD	110,176	106,130
Total financial assets designated as FVTPL upon initial recognition	10,482,808	11,658,953
(ii) HFT		
<u>At fair value</u>		
Malaysian government papers	89,755	74,175
Unquoted debt securities in Malaysia	198,249	357,829
Quoted equity securities in Malaysia	731,904	670,156
Unit and property trust funds:		
Quoted in Malaysia	4,842	1,434
Quoted outside Malaysia	8,803	13,535
Redeemable loan stocks	7	-
Structured products (Note 10)	589,132	575,691
Bifurcated derivatives (Note 10)	(6,171)	(9,410)
Total HFT financial assets	1,616,521	1,683,410
(c) LAR		
Fixed and call deposits with:		
Licensed financial institutions	2,852,966	1,625,675
Others	675,500	110,285
Total LAR financial assets	3,528,466	1,735,960

The carrying amounts of LAR are reasonable approximations of fair values due to the short term maturity of the financial assets.

Included in LAR financial assets are assets amounting to RM3,000,000 (31.12.2014: RM3,000,000) which have been pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic Berhad.

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9. INVESTMENTS (CONTD.)

Company	2015 RM'000	2014 RM'000
Equity securities	1,038	2,539
Unit and property trust funds	102,375	100,902
Deposits with financial institutions	130,884	51,568
	<u>234,297</u>	<u>155,009</u>

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

	2015 RM'000	2014 RM'000
Available-for-sale ("AFS")	103,413	103,441
Loan and receivables ("LAR")	130,884	51,568
	<u>234,297</u>	<u>155,009</u>

(a) AFS

Quoted equity securities in Malaysia	1,038	2,539
Quoted unit and property trust funds	102,375	100,902
Total AFS financial assets	<u>103,413</u>	<u>103,441</u>

(b) LAR

Fixed and call deposits with licensed banks	<u>130,884</u>	<u>51,568</u>
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The carrying amounts of LAR are reasonable approximations of fair values due to the short term maturity of the financial assets.

Fair Value of Financial Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of Investments are further disclosed in Note 47 to the financial statements.

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10. STRUCTURED PRODUCTS

Structured products of the Group are classified as either FVTPL or AFS. For structured products classified as AFS, the derivative embedded in the product is bifurcated from the host contract in line with the requirements of MFRS 139 *Financial Instruments: Recognition and Measurement*. Bifurcated derivatives are classified as FVTPL and changes in their fair value are recognised in profit or loss.

The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The carrying amount of structured products is presented as follows:

	<----- 2015 ----->		<----- 2014 ----->	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets at FVTPL				
Structured deposits	676,515	648,191	545,700	524,187
Credit-linked notes	407,956	400,720	410,780	388,230
Index-linked notes	33,663	2,415	33,663	3,972
Bifurcated derivatives relating to structured deposits *	-	(6,171)	-	(9,410)
	<u>1,118,134</u>	<u>1,045,155</u>	<u>990,143</u>	<u>906,979</u>
AFS financial assets				
Structured deposits *: Host contract	<u>65,000</u>	<u>69,542</u>	<u>75,000</u>	<u>81,281</u>
Grand total	<u>1,183,134</u>	<u>1,114,697</u>	<u>1,065,143</u>	<u>988,260</u>

* The notional amount of structured deposits categorised as AFS represents the notional amount of the product as a whole and, accordingly, segregation between the host contract and the embedded derivative is not appropriate.

The fair value of structured products of the Group is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values as provided by the respective counterparties.

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11. FINANCING RECEIVABLES

Group	2015	2014
	RM'000	RM'000
Policy/automatic premium loans	220,456	227,357
Corporate loans	9,831	13,831
Staff loans:		
Secured	54,302	56,104
Unsecured	1	28
Non staff loans	14,257	14,407
Interest in suspense	(8,994)	(8,333)
Allowance for impairment losses	(9,579)	(9,784)
	<u>280,274</u>	<u>293,610</u>
Receivable after 12 months	<u>49,712</u>	<u>55,406</u>
Company		
Staff loans:		
Secured	1,332	1,712
Unsecured	1	1
Allowance for impairment losses	(1)	(1)
	<u>1,332</u>	<u>1,712</u>
Receivable after 12 months	<u>1,120</u>	<u>1,500</u>

The carrying amount approximates fair value as these loans are issued at interest/profit rates that are comparable to instruments in the market with similar characteristics and risk profiles and, accordingly, the impact of discounting thereon is not material.

The weighted average effective interest rates during the financial year were as follows:

	2015	2014
Policy/automatic premium loans	8.00%	8.00%
Corporate loans	9.50%	9.50%
Staff loans	<u>3.04%</u>	<u>3.78%</u>

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12. REINSURANCE/RETAKAFUL ASSETS

Group	2015 RM'000	2014 RM'000
Reinsurers' share of:	3,327,262	4,135,815
Life insurance contract liabilities	23,081	26,051
General insurance contract liabilities	3,304,181	4,109,764
Retakaful operators' share of:	239,529	272,237
Family takaful certificate liabilities	36,129	14,797
General takaful certificate liabilities	203,400	257,440
Allowance for impairment losses	(5,963)	(6,064)
	3,560,828	4,401,988

13. INSURANCE/TAKAFUL RECEIVABLES

Group	2015 RM'000	2014 RM'000
Due premiums including agents/brokers and co-insurers balances	360,673	422,377
Due from reinsurers and cedants/retakaful operators	213,447	182,287
	574,120	604,664
Allowance for impairment losses	(44,450)	(49,755)
	529,670	554,909

The carrying amounts are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

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14. OTHER RECEIVABLES

Group	2015 RM'000	2014 RM'000
Management fees	278	174
Allowance for impairment losses	(24)	(24)
	<u>254</u>	<u>150</u>
Sundry receivables, deposits and prepayments	25,586	39,187
Allowance for impairment losses	(1,996)	(2,730)
	<u>23,590</u>	<u>36,457</u>
Income and profits due and accrued	126,264	140,816
Allowance for impairment losses	(244)	(180)
	<u>126,020</u>	<u>140,636</u>
Investment profit receivable	117,415	110,449
Amount due from:*		
- Ultimate holding company	427	3
- Associates within the MAHB Group	-	20
- Other related companies within the MBB Group	369	384
Amount due from stockbrokers	76,261	238,760
Share of net assets in Malaysian Motor Insurance Pool ("MMIP")	38,498	35,533
MMIP cash call	34,359	27,348
	<u>267,329</u>	<u>412,497</u>
TOTAL RECEIVABLES	<u>417,193</u>	<u>589,740</u>
Company		
Sundry receivables, deposits and prepayments	10	54
Income and profits due and accrued	1,010	297
Dividend receivable	967	-
Amount due from:*		
- Ultimate holding company	-	3
- Subsidiaries/associates within the MAHB Group	9,316	8,251
Allowance for impairment losses	(7,161)	-
TOTAL RECEIVABLES	<u>4,142</u>	<u>8,605</u>

* Amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts (other than prepayments) are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

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15. DERIVATIVES

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

	<-----2015----->		<-----2014----->			
	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
Hedging derivatives:						
Forward foreign exchange contract	98,294	210	8,850	10,091	-	696
Cross currency swap	138,251	-	50,448	138,251	-	14,438
	<u>210</u>	<u>59,298</u>		<u>-</u>	<u>-</u>	<u>15,134</u>
Non-hedging derivatives:						
Commodity option	-	-	-	-	-	-
Equity option	366,077	2,610	-	366,077	12,646	-
	<u>2,610</u>	<u>-</u>		<u>12,646</u>	<u>12,646</u>	<u>-</u>
Total derivatives	<u>2,820</u>	<u>59,298</u>		<u>12,646</u>	<u>12,646</u>	<u>15,134</u>

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 47 to the financial statements.

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15. DERIVATIVES (CONTD.)

Hedging derivatives:

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investment. The Group enters into forward currency contracts for the purpose of hedging part of its investment portfolio in USD denominated mutual funds.

Swaps are contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specified underlying index such as interest rates, foreign currency rates or equity indices. The Group uses swap contracts to hedge the principal amount invested in Structured Notes denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

Non-hedging derivatives:

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases options that provide the Group with the opportunity to purchase (call option) the underlying asset at an agreed-upon value on the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amounts, which is their fair value. The Group uses options in the product structuring for investment linked products as a strategy to enhance the returns of the products.

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16. DEFERRED TAXATION

	2015	2014
	RM'000	RM'000
Group		
At beginning of year	(437,102)	(426,135)
Recognised in:		
Income statement (Note 37)	(59,255)	(53,451)
- Taxation borne by policyholders/participants	(11,933)	7,763
- Tax expense of the Company	(47,322)	(61,214)
Other comprehensive income (Note 37)	(9,312)	36,065
Insurance/takaful contract liabilities	(621)	6,455
Exchange differences	(1,130)	(36)
At end of year	<u>(507,420)</u>	<u>(437,102)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax disclosed in the statement of financial position of the Group is presented on a gross basis as it relates to different entities within the Group as follows:

	2015	2014
	RM'000	RM'000
Deferred tax assets	22,000	22,738
Deferred tax liabilities	(529,420)	(459,840)
	<u>(507,420)</u>	<u>(437,102)</u>
	2015	2014
	RM'000	RM'000
Company		
At beginning of year	(203)	-
Recognised in other comprehensive income (Note 37)	14	(203)
At end of year	<u>(189)</u>	<u>(203)</u>

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16. DEFERRED TAXATION (CONTD.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Group	Deferred Tax Assets		Impairment		General		Total
	Amortisation of premiums RM'000	Impairment losses on receivables RM'000	Impairment losses on investments RM'000	insurance liabilities RM'000	Others RM'000	RM'000	
2015							
At 1 January 2015	-	2,259	19,401	528	550	22,738	
Reclassification	-	-	-	-	-	-	
Recognised in:							
Income statement	1,129	(473)	(626)	(218)	(607)	(795)	
- Taxation borne by policyholders/participants	(646)	(718)	(5,704)	(43)	-	(7,111)	
- Tax expense of the Company	1,775	245	5,078	(175)	(607)	6,316	
Exchange differences	-	(12)	-	-	69	57	
At 31 December 2015	1,129	1,774	18,775	310	12	22,000	
2014							
At 1 January 2014	-	2,271	7,662	966	760	11,659	
Recognised in:							
Income statement	-	136	11,739	(438)	(389)	11,048	
- Taxation borne by policyholders/participants	-	933	10,103	(18)	-	11,018	
- Tax expense of the Company	-	(797)	1,636	(420)	(389)	30	
Exchange differences	-	(148)	-	-	179	31	
At 31 December 2014	-	2,259	19,401	528	550	22,738	

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16. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

Group	Net accretion of discounts on investments RM'000	Accelerated capital allowances RM'000	Fair value adjustment RM'000	AFS reserves RM'000	Participating Fund Unallocated Surplus RM'000	Unit- linked RM'000	Others RM'000	Total RM'000
<u>2015</u>								
At 1 January 2015	(31)	(4,991)	(24,525)	15,638	(440,815)	(5,116)	-	(459,840)
Reclassification	-	2,830	-	-	(2,830)	-	-	-
Recognised in:								
Income statement	2,820	(3,349)	(1,322)	-	(54,143)	168	(2,634)	(58,460)
- Taxation borne by policyholders/participants	1,113	(742)	8,291	-	(10,800)	168	(2,852)	(4,822)
- Tax expense of the Company	1,707	(2,607)	(9,613)	-	(43,343)	-	218	(53,638)
Other comprehensive income	-	-	-	(9,312)	-	-	-	(9,312)
Insurance/takaful contract liabilities	-	-	-	(621)	-	-	-	(621)
Exchange differences	-	(12)	-	-	(1,175)	-	-	(1,187)
At 31 December 2015	2,789	(5,522)	(25,847)	5,705	(498,963)	(4,948)	(2,634)	(529,420)

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16. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities (Contd.)

Group	Accelerated allowances RM'000	Net accretion of capital discounts on investments RM'000	Fair value adjustment RM'000	AFS reserves RM'000	Participating Fund		Total RM'000
					Unallocated Surplus RM'000	Unit- linked RM'000	
<u>2014</u>							
At 1 January 2014	(3,594)	(3,194)	(20,803)	(26,882)	(375,164)	(8,157)	(437,794)
Recognised in:							
Income statement	(1,330)	3,163	(3,722)	-	(65,651)	3,041	(64,499)
- Taxation borne by policyholders/participants	(2,840)	(16)	(3,440)	-	-	3,041	(3,255)
- Tax expense of the Company	1,510	3,179	(282)	-	(65,651)	-	(61,244)
Other comprehensive income Insurance/takaful contract liabilities	-	-	-	36,065	-	-	36,065
Exchange differences	(67)	-	-	6,455	-	-	6,455
At 31 December 2014	(4,991)	(31)	(24,525)	15,638	(440,815)	(5,116)	(459,840)
Company							AFS
<u>2015</u>							reserves
At 1 January 2015							(203)
Recognised in other comprehensive income							14
At 31 December 2015							(189)
<u>2014</u>							-
At 1 January 2014							(203)
Recognised in other comprehensive income							(203)
At 31 December 2014							(203)

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17. SHARE CAPITAL

	Number of shares		Amount	
	2015 Units '000	2014 Units '000	2015 RM'000	2014 RM'000
Authorised				
Ordinary shares of RM1.00 each:				
At beginning/end of year	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Non Redeemable Preference Shares ("NRPS") of RM1.00 each:				
At beginning/end of year	<u>12,575</u>	<u>12,575</u>	<u>12,575</u>	<u>12,575</u>
Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each:				
At beginning/end of year	<u>730,000</u>	<u>730,000</u>	<u>7,300</u>	<u>7,300</u>
Total	<u>1,742,575</u>	<u>1,742,575</u>	<u>1,019,875</u>	<u>1,019,875</u>
Issued and fully paid				
Ordinary shares of RM1.00 each:				
At beginning of year	252,005	239,430	252,005	239,430
Conversion of NRPS to ordinary shares (Note 48)	-	12,575	-	12,575
At end of year	<u>252,005</u>	<u>252,005</u>	<u>252,005</u>	<u>252,005</u>
NRPS of RM1.00 each:				
At beginning of year	-	12,575	-	12,575
Conversion of NRPS to ordinary shares (Note 48)	-	(12,575)	-	(12,575)
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>252,005</u>	<u>252,005</u>	<u>252,005</u>	<u>252,005</u>

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17. SHARE CAPITAL (CONTD.)

17.1 Non-Redeemable Preference Shares ("NRPS")

The salient features of the NRPS issued by the Company are as follows:

- (a) The NRPS shall rank *pari passu* with the ordinary shares and shall be subordinated to the RCPS in respect of any distribution or repayment of capital by MAHB.
- (b) The registered holders of the NRPS shall not have any vote at the general meeting of MAHB, unless the meeting is convened for the purpose of reducing capital or winding-up or where the proposition to be submitted to the meeting directly affects their rights and privileges.
- (c) The holders of the NRPS are only entitled to dividends after the RCPS have been fully redeemed and the rights to dividend shall rank *pari passu* with the holders of the ordinary shares.
- (d) The holders of the NRPS shall not be entitled to representation to the Board of MAHB.
- (e) The NRPS had been fully converted into ordinary shares on 9 May 2014.

17.2 Redeemable Convertible Preference Shares ("RCPS")

- (a) The RCPS shall rank *pari passu* amongst all RCPS and shall rank behind all secured and unsecured obligations of MAHB, but rank in priority to all the ordinary shares and NRPS of MAHB in respect of return of capital upon liquidation or otherwise for the issue price of the RCPS.
- (b) The RCPS had been fully redeemed on 15 December 2010.

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18. RESERVES

	2015	2014
	RM'000	RM'000
Group		
Share premium	401,561	401,561
AFS reserves	(15,309)	(32,972)
Other reserves:		
Revaluation reserve	11,648	11,648
Currency translation reserve	67,798	11,483
Capital redemption reserve	7,300	7,300
	<u>86,746</u>	<u>30,431</u>
Retained profits:		
Distributable	2,449,060	2,438,154
Non-distributable non-par surplus	1,547,254	1,409,843
	<u>3,996,314</u>	<u>3,847,997</u>
Total reserves	<u>4,469,312</u>	<u>4,247,017</u>
Company		
Share premium:	<u>401,561</u>	<u>401,561</u>
AFS reserves	<u>566</u>	<u>609</u>
Other reserve:		
Capital redemption reserve	<u>7,300</u>	<u>7,300</u>
Distributable:		
Retained profits	<u>1,121,524</u>	<u>1,002,341</u>
Total reserves	<u>1,530,951</u>	<u>1,411,811</u>

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18. RESERVES (CONTD.)

The share premium reserve relates to amounts paid by shareholders for shares in excess of their par value.

The AFS reserves of the Group arose from changes in the fair values of the AFS financial assets in the shareholders' and non-DPF funds.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

The revaluation reserve of the Group represents the difference between the carrying amount of properties previously classified as self-occupied and transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.

The capital redemption reserve of the Group arose from the redemption of the RCPS of which such shares are redeemed out of retained profits in accordance with Section 61(5) of the Companies Act, 1965.

Non-distributable non-par surplus represents the unallocated surplus from the non-DPF fund. In accordance with the Financial Services Act 2013, the unallocated surplus is only available for distribution to the shareholders' fund upon approval by the Appointed Actuary. Upon such approval, the distribution is presented as a transfer from non-distributable non-par surplus to distributable retained profits.

The entire distributable retained earnings may be distributed to the shareholder under the single-tier system.

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19. INSURANCE/TAKAFUL CONTRACT LIABILITIES

Group	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance/family takaful (Note A)	17,230,760	(59,210)	17,171,550	17,656,110	(40,848)	17,615,262
General insurance/takaful (Note B)	5,827,440	(3,507,581)	2,319,859	6,553,765	(4,367,204)	2,186,561
	23,058,200	(3,566,791)	19,491,409	24,209,875	(4,408,052)	19,801,823

(A) Life Insurance/Family Takaful

The life insurance/family takaful contract liabilities and its movements are further analysed as follows:

(i) Life insurance/family takaful contract liabilities

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities	184,793	(12,527)	172,266	133,734	(8,361)	125,373
Actuarial liabilities	12,063,902	(46,683)	12,017,219	12,526,898	(32,487)	12,494,411
DPF's unallocated surplus	3,154,856	-	3,154,856	3,098,576	-	3,098,576
DPF's AFS reserves	93,881	-	93,881	28,115	-	28,115
Net asset value ("NAV") attributable to unitholders	1,733,328	-	1,733,328	1,868,787	-	1,868,787
	17,230,760	(59,210)	17,171,550	17,656,110	(40,848)	17,615,262

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19. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance/Family Takaful (Contd.)

(ii) Movements of life insurance/family takaful contract liabilities

	2015	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's Unallocated Surplus RM'000	DPF's AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross Total liabilities RM'000	Reinsurance assets RM'000	Net Total liabilities RM'000
At 1 January 2015	133,734	12,526,898	3,098,576	28,115	1,868,787	17,656,110	(40,848)	17,615,262	
Net earned premiums	-	105,993	1,755,949	-	262,075	2,124,017	(34,888)	2,089,129	
Other revenue	-	-	468,342	-	59,435	527,777	-	527,777	
Experience/benefit variation	130	-	-	-	-	130	-	1,989	
Net benefits and claims	50,929	-	(1,458,077)	-	(454,228)	(1,861,376)	28,862	(1,832,514)	
Other expenses	-	(49)	(450,018)	-	(304)	(450,371)	-	(450,371)	
Change in reserves :									
- Discounting	-	(64,077)	33,240	-	-	(30,837)	(41)	(30,878)	
- Assumptions	-	239,655	(212,681)	-	-	26,974	(16)	26,958	
- Policy Movements	-	(757,038)	44,854	-	-	(712,184)	(14,062)	(726,246)	
Exchange differences	-	12,520	(146)	(78)	720	13,016	(76)	12,940	
Changes in AFS reserves	-	-	-	66,465	-	66,465	-	66,465	
Taxation	-	-	15,297	(621)	(3,157)	11,519	-	11,519	
Transfer to shareholders' funds	-	-	(89,265)	-	-	(89,265)	-	(89,265)	
Hibah paid to participants	-	-	(51,215)	-	-	(51,215)	-	(51,215)	
At 31 December 2015	184,793	12,063,902	3,154,856	93,881	1,733,328	17,230,760	(59,210)	17,171,550	

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19. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance/Family Takaful (Contd.)

(ii) Movements of life insurance/family takaful contract liabilities

	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's Unallocated Surplus RM'000	DPF's AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross Total liabilities RM'000	Reinsurance assets RM'000	Net Total liabilities RM'000
2014								
At 1 January 2014	109,275	12,744,816	2,662,332	240,561	1,650,551	17,407,535	(43,466)	17,364,069
Net earned premiums	-	32,084	1,435,526	-	441,351	1,908,961	(44,809)	1,864,152
Other revenue	-	-	817,858	-	49,067	866,925	-	866,925
Experience/benefit variation	(2,940)	-	-	-	-	(2,940)	20,809	17,869
Net benefits and claims	27,399	(589,834)	(1,422,136)	-	(267,881)	(2,252,452)	17,778	(2,234,674)
Other expenses	-	-	(339,246)	-	(377)	(339,623)	-	(339,623)
Change in reserves:								
- Discounting	-	8,168	(1,846)	-	-	6,322	(25)	6,297
- Assumptions	-	(16,518)	18,122	-	-	1,604	-	1,604
- Policy Movements	-	349,091	108,905	-	-	457,996	8,865	466,861
Exchange differences	-	(909)	963	-	192	246	-	246
Changes in AFS reserves	-	-	-	(218,901)	-	(218,901)	-	(218,901)
Taxation	-	-	(40,019)	6,455	(4,116)	(37,680)	-	(37,680)
Transfer to shareholders' funds	-	-	(121,713)	-	-	(121,713)	-	(121,713)
Hibah paid to participants	-	-	(20,170)	-	-	(20,170)	-	(20,170)
At 31 December 2014	133,734	12,526,898	3,098,576	28,115	1,868,787	17,656,110	(40,848)	17,615,262

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19. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)

(B) General/General takaful insurance

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities (i)	4,437,167	(3,106,477)	1,330,690	5,048,228	(3,935,229)	1,112,999
Premiums/contribution liabilities (ii)	1,273,380	(401,104)	872,276	1,323,836	(431,975)	891,861
Unallocated surplus of general takaful fund	146,002	-	146,002	202,807	-	202,807
AFS reserves	(29,109)	-	(29,109)	(21,106)	-	(21,106)
	5,827,440	(3,507,581)	2,319,859	6,553,765	(4,367,204)	2,186,561
(i) Claims liabilities						
At 1 January	5,048,228	(3,935,229)	1,112,999	2,625,814	(1,576,205)	1,049,609
Claims incurred in the current accident year	1,192,211	(265,662)	926,549	4,018,867	(3,164,491)	854,376
Movements in claims incurred in prior accident years	115,478	(100,080)	15,398	(261,463)	211,773	(49,690)
Claims paid during the year	(1,341,077)	564,818	(776,259)	(1,962,755)	1,219,512	(743,243)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,996	-	1,996	(154)	205	51
Movements in PRAD	(598,281)	632,611	34,330	627,919	(626,023)	1,896
Exchange differences	18,612	(2,935)	15,677	-	-	-
At 31 December	4,437,167	(3,106,477)	1,330,690	5,048,228	(3,935,229)	1,112,999
(ii) Premium/contribution liabilities						
At 1 January	1,323,836	(431,975)	891,861	1,147,564	(312,883)	834,681
Premiums/contributions written in the year	2,658,664	(1,044,989)	1,613,675	2,548,638	(1,051,013)	1,497,625
Premiums/contributions earned during the year	(2,721,256)	1,078,763	(1,642,493)	(2,372,366)	931,921	(1,440,445)
Exchange differences	12,136	(2,903)	9,233	-	-	-
At 31 December	1,273,380	(401,104)	872,276	1,323,836	(431,975)	891,861

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20. SUBORDINATED OBLIGATIONS

Group	2015 RM'000	2014 RM'000
Tier 2 Capital Subordinated Bond/Sukuk:		
- RM500 million from EIB (a)	500,000	500,000
- RM300 million from ETB (b)	300,000	300,000
	<u>800,000</u>	<u>800,000</u>
Interest/profit payable on subordinated obligations	<u>11,316</u>	<u>11,334</u>

(a) Tier 2 Capital Subordinated Bond

Issued date	: 5 July 2013
Tenure	: 10 years from issue date on 10 non-callable 5 basis (Due in 2023)
Interest payable	: 4.13% per annum payable semi-annually in arrears in January and July each year.
Optional Redemption	: EIB may, subject to the prior consent of Bank Negara Malaysia ("BNM"), redeem the bond, in whole but not in part, on 5 July 2018 (first call date) and on each semi-annual interest payment date thereafter at the principal amount together with accrued but unpaid coupon.

(b) Tier 2 Capital Subordinated Sukuk

Issued date	: 30 May 2014
Tenure	: 10 years from issue date on 10 non-callable 5 basis (Due in 2024)
Profit payable	: 4.52% per annum payable semi-annually in arrears in May and November each year.
Optional Redemption	: ETB may, subject to the prior consent of BNM, redeem the Sukuk, in whole but not in part, on 30 May 2019 (first call date) and each semi-annual profit payment date thereafter at their principal amount together with accrued but unpaid coupon.

The fair values of the subordinated obligations are RM797,439,000 (2014: RM798,513,000), and is determined by reference to indicative ask-price obtained from Bondweb provided by BPAM. The fair values of subordinated obligations are categorised under Level 2 of their fair value hierarchy as the valuations were mainly based on market observable inputs.

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21. EXPENSE LIABILITIES

Group	2015 RM'000	2014 RM'000
UWF of general takaful fund	116,199	97,820
UER of family takaful fund	354,332	299,922
	<u>470,531</u>	<u>397,742</u>

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
2015			
At beginning of the year	97,820	299,922	397,742
Wakalah fee received during the year	290,360	-	290,360
Wakalah fee earned during the year	(271,981)	-	(271,981)
Movement in UWF (Note 35)	18,379	-	18,379
Movement in UER (Note 35)	-	54,410	54,410
At end of the year	<u>116,199</u>	<u>354,332</u>	<u>470,531</u>
2014			
At beginning of the year	87,547	266,195	353,742
Wakalah fee received during the year	243,466	-	243,466
Wakalah fee earned during the year	(233,193)	-	(233,193)
Movement in UWF (Note 35)	10,273	-	10,273
Movement in UER (Note 35)	-	33,727	33,727
At end of the year	<u>97,820</u>	<u>299,922</u>	<u>397,742</u>

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22. INSURANCE/TAKAFUL PAYABLES

Group	2015 RM'000	2014 RM'000
Due to agents and intermediaries	60,019	73,491
Due to reinsurers and cedants	345,671	343,222
Due to retakaful operators	52,425	72,454
	<u>458,115</u>	<u>489,167</u>

The carrying amounts are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

23. OTHER PAYABLES

Group	2015 RM'000	2014 RM'000
Premium/contribution deposits	125,959	170,785
Dividend payable to policyholders	73,316	71,776
Amount due to:*		
- Ultimate holding company	4,187	10,948
- Other related companies within the MBB Group	6,554	6,960
Amount due to stockbrokers	7,225	47,497
Mudharabah payable	156,959	56,786
Sundry payables and accrued liabilities	398,826	336,902
	<u>773,026</u>	<u>701,654</u>
Company		
Amount due to:*		
- Ultimate holding company	2	172
- Subsidiaries/associates within the MAHB Group	93,233	93,770
Sundry payables and accrued liabilities	1,826	1,902
	<u>95,061</u>	<u>95,844</u>

* Amounts due to related companies are non-trade in nature, unsecured, interest free and is repayable on demand.

The carrying amounts are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

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24. OPERATING REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gross premiums/contributions	5,138,482	5,017,699	-	-
Investment income (Note 27)	1,070,744	1,092,370	379,196	21,491
	<u>6,209,226</u>	<u>6,110,069</u>	<u>379,196</u>	<u>21,491</u>

25. NET EARNED PREMIUMS/CONTRIBUTIONS

	2015 RM'000	2014 RM'000
Group		
(a) Gross earned premiums/contributions		
Life insurance contracts	1,213,133	1,286,360
General insurance contracts	1,550,123	1,535,038
Family takaful contracts	1,266,685	1,182,701
General takaful contracts	1,108,541	1,013,600
Gross premiums/contributions	<u>5,138,482</u>	<u>5,017,699</u>
Change in premium/contribution liabilities	62,592	(176,272)
Gross earned premiums/contributions	<u>5,201,074</u>	<u>4,841,427</u>
(b) Earned premiums/contributions ceded to reinsurers/retakaful operators		
Life insurance contracts	(25,054)	(26,175)
General insurance contracts	(961,627)	(940,393)
Family takaful contracts	(34,887)	(44,809)
General takaful contracts	(83,362)	(110,620)
Premium/contribution ceded to reinsurers/retakaful operators	<u>(1,104,930)</u>	<u>(1,121,997)</u>
Change in premium/contribution liabilities	(33,774)	119,092
Earned premium/contribution ceded to reinsurers/retakaful operators	<u>(1,138,704)</u>	<u>(1,002,905)</u>
Net earned premiums/contributions	<u>4,062,370</u>	<u>3,838,522</u>

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26. FEE AND COMMISSION INCOME

Group	2015 RM'000	2014 RM'000
Profit commission	3,952	3,011
Reinsurance/retakaful commission income	67,779	71,498
Others	624	5,052
Fee and commission income related to insurance/takaful contracts	<u>72,355</u>	<u>79,561</u>

27. INVESTMENT INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial Assets at AFS				
Interest/profit income	289,135	269,663	-	-
Dividend/distribution income				
(i) Equity securities:				
- quoted in Malaysia	83,995	74,800	34	13
- quoted outside Malaysia	2,601	1,266	-	-
- unquoted in Malaysia	1,862	4,423	-	-
- unit and property trusts	9,148	4,546	4,350	636
(ii) From subsidiaries	-	-	370,032	-
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Interest/profit income	517,819	577,951	-	-
(ii) HFT				
Interest/profit income	29,879	34,407	-	-
Dividend/distribution income				
- equity securities quoted in Malaysia	19,047	16,412	-	-
- unit and property trusts	110	37	-	-
LAR				
Interest/profit income	94,850	83,058	4,300	20,774
Interest income from financing receivables and other loans	20,048	20,810	49	68
Rental income	24,499	20,335	-	-
Net amortisation of premiums	(19,928)	(12,454)	-	-
Management fee income	3,196	2,345	-	-
Investment related expenses	(5,517)	(5,229)	431	-
	<u>1,070,744</u>	<u>1,092,370</u>	<u>379,196</u>	<u>21,491</u>

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28. REALISED GAINS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Realised loss on disposal of property, plant and equipment	(363)	(29)	-	-
Realised gain on liquidation of subsidiaries	-	-	-	12,708
Realised (losses)/gains on disposal of:				
AFS financial assets				
Singapore government papers	(88)	(255)	-	-
Malaysian government papers	3,570	2,978	-	-
Equity securities	94,556	391,652	(117)	-
Debt securities	22,612	19,979	-	-
Unit and property trusts	(7,287)	-	1,980	-
Irredeemable loan stocks	-	227	-	-
Structured Products	(900)	(852)	-	-
Other investments	-	34,010	-	-
	<u>112,463</u>	<u>447,739</u>	<u>1,863</u>	<u>-</u>
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	(781)	15,004	-	-
Debt securities	79,709	26,152	-	-
Structured products	(4,275)	(1,658)	-	-
Other investments	(1,103)	-	-	-
	<u>73,550</u>	<u>39,498</u>	<u>-</u>	<u>-</u>
(ii) HFT				
Malaysian government papers	813	943	-	-
Equity securities	26,441	42,849	-	-
Debt securities	(4,550)	527	-	-
Unit and property trusts	1,658	-	-	-
Credit linked notes	10	-	-	-
Convertible redeemable loan stock	-	(4)	-	-
Structured products	43	-	-	-
Other investments	-	1,292	-	-
Derivative assets	(14,218)	53	-	-
	<u>10,197</u>	<u>45,660</u>	<u>-</u>	<u>-</u>
TOTAL REALISED GAINS	<u>195,847</u>	<u>532,868</u>	<u>1,863</u>	<u>12,708</u>

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29. FAIR VALUE LOSSES

Group	2015 RM'000	2014 RM'000
Fair value gains/(losses):		
Investment properties	101,870	(27)
Financial assets at FVTPL:		
- designated upon initial recognition	(154,430)	35,381
- HFT	(6,366)	(39,912)
Total fair value losses on financial assets at FVTPL	(160,796)	(4,531)
TOTAL FAIR VALUE LOSSES	(58,926)	(4,558)

30. OTHER OPERATING INCOME/(EXPENSES), NET

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Other income</u>				
Gain on foreign exchange				
- realised	40,645	10,088	-	-
- unrealised	41,046	6,674	-	-
Processing income	648	1,173	-	-
Reversal of impairment losses on:				
- receivables	5,529	21,088	-	-
- others	101	-	-	-
Surrender charges	70	245	-	-
Sundry income	18,370	3,346	75	1,268
	<u>106,409</u>	<u>42,614</u>	<u>75</u>	<u>1,268</u>
<u>Other expenses</u>				
Bad debts written off	(6,099)	(2,119)	-	-
Impairment losses on:				
- receivables	-	-	(7,161)	(1)
- investments	(321,000)	(180,768)	-	(19)
- associate	(7,592)	-	-	-
- other impairments	-	(6,028)	-	-
Losses on foreign exchange				
- realised	(1,546)	(250)	-	(1)
- unrealised	(2,741)	(1,197)	-	-
PPE written off	(1)	(85)	-	-
Sundry expenditure	(8,910)	(3,232)	(12)	(23)
	<u>(347,889)</u>	<u>(193,679)</u>	<u>(7,173)</u>	<u>(44)</u>
TOTAL OTHER OPERATING (EXPENSES)/INCOME, NET	(241,480)	(151,065)	(7,098)	1,224

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31. NET BENEFITS AND CLAIMS

Group	2015 RM'000	2014 RM'000
(a) Gross Benefits and Claims Paid		
Insurance/takaful contracts:		
Life	2,085,149	1,531,049
General	753,632	1,493,671
Family	679,804	573,815
General takaful	587,445	469,084
	<u>4,106,030</u>	<u>4,067,619</u>
(b) Claims Ceded to Reinsurers/Retakaful		
Insurance/takaful contracts:		
Life	(16,457)	(19,958)
General	(470,951)	(1,191,750)
Family	(33,028)	(24,000)
General takaful	(93,867)	(27,762)
	<u>(614,303)</u>	<u>(1,263,470)</u>
(c) Gross Change in Contract/Certificate Liabilities		
Insurance contracts:		
Life	(944,951)	(39,359)
General	(743,754)	2,212,863
Family	491,827	638,044
General Takaful	209,460	209,551
	<u>(987,418)</u>	<u>3,021,099</u>
(d) Change in Contract/Certificate Liabilities Ceded to Reinsurers/Retakaful		
Insurance contracts:		
Life	3,045	1,599
General	791,320	(2,306,916)
Family	(21,331)	1,019
General Takaful	40,368	(52,108)
	<u>813,402</u>	<u>(2,356,406)</u>

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32. MANAGEMENT EXPENSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Employee benefits expense (a)	328,979	325,338	10,052	10,510
Directors' remuneration (Note 33)	5,269	2,643	1,049	626
Shariah Committee's remuneration (Note 34)	220	251	-	-
Auditors' remuneration:				
- statutory audits	1,682	1,746	65	65
- regulatory related services	91	-	-	-
- other services	750	196	8	1
Amortisation of intangible assets	5,444	16,272	-	-
Amortisation of prepaid land lease payments	303	303	-	-
Auto assist service	8,962	5,945	-	-
Assured medical fees	3,490	2,279	-	-
Bank charges	24,633	21,434	3	3
Depreciation of property, plant and equipment	14,255	14,335	-	-
Fund management (income) fees	(267)	(554)	-	-
Interest expenses	11	12	-	-
Other management fees	3,352	4,327	44	102
Professional fees	5,751	7,679	(11)	217
Rental of offices/premises	14,274	8,060	108	74
Office facilities expenses	3,333	3,731	12	-
Agency related expenses	7,073	6,718	-	-
Electronic data processing expenses	17,039	18,283	-	-
Outsourcing services	2,301	19	-	-
Maybank Shared Service	21,243	22,327	583	1
Postage and stamp duties	6,176	6,366	1	3
Printing and stationery	8,816	10,063	106	195
Promotional and marketing cost	46,855	38,969	-	2
Training expenses	5,923	9,580	84	201
Utilities, assessment and maintenance	11,737	11,681	184	134
Entertainment	1,694	2,346	2	6
Travelling expenses	4,673	7,410	162	181
Legal fees	3,185	2,567	1	6
Other expenses	73,028	54,693	300	161
TOTAL MANAGEMENT EXPENSES	630,275	605,019	12,753	12,488

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32. MANAGEMENT EXPENSES (CONTD.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Employee Benefits Expense:				
Wages, salaries and bonuses	237,456	245,253	7,173	7,415
EPF, CPF and TAP	37,896	34,743	703	718
SOCSSO	1,302	1,310	15	18
Share based compensation	5,713	7,485	620	698
Other benefits	46,612	36,547	1,541	1,661
	<u>328,979</u>	<u>325,338</u>	<u>10,052</u>	<u>10,510</u>

(b) The details of remuneration receivable by the CEO during the year are as follows:

	Company	
	2015 RM'000	2014 RM'000
Salary	840	144
Bonus	480	-
EPF and Pension Scheme	225	43
Other emoluments	122	130
	<u>1,667</u>	<u>317</u>

33. DIRECTORS' REMUNERATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive directors:				
Fees	349	163	158	75
Other emoluments	20	13	3	4
	<u>369</u>	<u>176</u>	<u>161</u>	<u>79</u>
Non-executive directors:				
Fees	4,544	2,235	834	496
Other emoluments	356	232	54	51
	<u>4,900</u>	<u>2,467</u>	<u>888</u>	<u>547</u>
	<u>5,269</u>	<u>2,643</u>	<u>1,049</u>	<u>626</u>

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33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

The total remuneration of the directors of the Group are as follows:

2015	Company		Subsidiaries				Group Grand Total RM'000
	Fees RM'000	emoluments RM'000	Total RM'000	Salary RM'000	Fees RM'000	emoluments RM'000	
Executive director(s):							
Datuk Abdul Farid Alias	158	3	161	-	28	2	191
Encik Kamaludin bin Ahmad	-	-	-	-	163	15	178
	158	3	161	-	191	17	369
Non-executive directors:							
Mr. Koh Heng Kong	50	13	63	-	340	25	428
Mr. Loh Lee Soon	29	7	36	-	340	28	404
Datuk R Karunakaran	29	6	35	-	207	19	261
Mr. Bart K.A De Smet	158	4	162	-	-	-	162
Mr. Gary Lee Crist	208	13	221	-	315	12	548
Y Bhg Dato' Mohd Salleh Hj Harun	202	7	209	-	618	30	857
Y Bhg Dato' Johan Ariffin	158	4	162	-	343	23	528
Encik Zainal Abidin Jamal	-	-	-	-	344	25	369
Mr. Frank Van Kempen	-	-	-	-	585	58	643
Dr. Ismail Mohd @ Abu Hassan	-	-	-	-	158	8	166
Encik Sulaiman Salleh	-	-	-	-	35	2	37
Datuk Lim Hong Tat	-	-	-	-	166	27	193
Mr Hj Sallim Bin Abdul Kadir	-	-	-	-	188	31	219
Ms Hong Wai Lan	-	-	-	-	71	14	85
	834	54	888	-	3,710	302	4,900
	992	57	1,049	-	3,901	319	5,269

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33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

The total remuneration of the directors of the Group are as follows:

2014	Company		Subsidiaries		Group Grand Total		
	Fees emoluments RM'000	Total RM'000	Salary RM'000	Fees emoluments RM'000		Total RM'000	
Executive director(s):							
Datuk Abdul Farid Alias	75	4	79	29	4	33	112
Encik Kamaludin bin Ahmad	-	-	-	59	5	64	64
	75	4	79	88	9	97	176
Non-executive directors:							
Mr. Koh Heng Kong	50	13	63	163	22	185	248
Mr. Loh Lee Soon	29	6	35	175	23	198	233
Datuk R Karunakaran	29	6	35	125	18	143	178
Mr. Bart K.A De Smet	75	4	79	-	-	-	79
Mr. Gary Lee Crist	125	12	137	173	15	188	325
Y Bhg Dato' Mohd Salleh							
Hj Harun	113	5	118	313	21	334	452
Y Bhg Dato' Johan Ariffin	75	5	80	179	21	200	280
Encik Zainal Abidin Jamal	-	-	-	165	19	184	184
Mr. Frank Van Kempen	-	-	-	261	29	290	290
Dr. Ismail Mohd @ Abu Hassan	-	-	-	75	9	84	84
Encik Sulaiman Salleh	-	-	-	35	1	36	36
Datuk Lim Hong Tat	-	-	-	16	3	19	19
Mr Hj Sallim Bin Abdul Kadir	-	-	-	59	-	59	59
	496	51	547	1,739	181	1,920	2,467
	571	55	626	1,827	190	2,017	2,643

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34. SHARIAH COMMITTEE'S REMUNERATION

	Group	
	2015	2014
	RM'000	RM'000
Fees	168	203
Other emoluments	52	48
	<u>220</u>	<u>251</u>

The total remuneration of the Shariah Committee of the takaful subsidiary are as follows:

	2015		2014	
	Fees	Other	Fees	Other
	emoluments	emoluments	emoluments	emoluments
	RM'000	RM'000	RM'000	RM'000
	Total	Total	Total	Total
	RM'000	RM'000	RM'000	RM'000
Shariah committee:				
Tan Sri Dato' Seri (Dr) Hj Harussani Bin Hj Zakaria	14	5	19	8
Dr. Ahcene Lahsasna	34	9	43	9
Dr. Ismail Bin Mohd @ Abu Hassan	33	11	44	9
Dr. Mohammad Deen Bin Mohd Napiah	33	11	44	9
En. Sarip Bin Adul	34	10	44	9
Ahmad Jailani Bin Abdul Ghani	20	6	26	-
Prof. Datuk Dr. Syed Othman Bin Syed Hussin Alhabshi	-	-	-	4
	<u>168</u>	<u>52</u>	<u>220</u>	<u>48</u>
			<u>203</u>	<u>251</u>

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35. CHANGE IN EXPENSE LIABILITIES

	2015 RM'000	2014 RM'000
Group		
Increase in UWF of general takaful fund (Note 21)	18,379	10,273
Increase in UER of family takaful fund (Note 21)	54,410	33,727
	<u>72,789</u>	<u>44,000</u>

36. FEE AND COMMISSION EXPENSES

	2015 RM'000	2014 RM'000
Group		
Costs incurred for the acquisition of insurance/takaful contracts expensed in the current financial year	449,569	413,020
Processing fee expense	1	-
Others	-	1,393
	<u>449,570</u>	<u>414,413</u>

37. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2015 and 31 December 2014 are:

Income Statement

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Income tax:</u>				
Current financial year				
- Malaysia	122,633	146,191	1,212	4,979
- Foreign	905	1,414	-	-
	<u>123,538</u>	<u>147,605</u>	<u>1,212</u>	<u>4,979</u>

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37. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2015 and 31 December 2014 are:

Income Statement

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Deferred taxation:</u>				
Relating to origination and reversal of temporary differences (Note 16)	47,322	61,214	-	-
Under/(over) provision of taxation in prior financial years	25,961	10,984	459	(5)
	<u>73,283</u>	<u>72,198</u>	<u>459</u>	<u>(5)</u>
	<u>196,821</u>	<u>219,803</u>	<u>1,671</u>	<u>4,974</u>

Statement of Comprehensive Income:

Deferred income tax related to other comprehensive income:				
- Fair value changes on AFS investments (Note 16)	(9,312)	36,065	14	(203)

Reconciliation between tax expense and accounting profit

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	<u>604,352</u>	<u>767,643</u>	<u>371,095</u>	<u>33,204</u>
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	251,485	191,910	92,774	8,302
Effects of tax in different jurisdiction	389	8	-	-

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37. INCOME TAX EXPENSE (CONTD.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Business outside Malaysia taxed at 5% (2014: 5%)	(46)	(5,413)	-	-
Tax exemption	(74)	-	-	-
Income not subject to tax	(185,357)	(16,240)	(94,067)	(3,339)
Expenses not deductible for tax purposes	110,610	44,707	2,505	16
Additional deduction allowed in respect of cash contributions made to MMIP during the year	(1,753)	(2,340)	-	-
Utilisation of previously unrecognised tax losses	(3,679)	-	-	-
Tax relief on actuarial surplus transferred to shareholder's fund	(767)	(470)	-	-
Effects of changes in foreign tax rate	991	-	-	-
Onshore tax in interest at 25%	95	91	-	-
Effects of reduction in tax rate	(2,266)	(2,735)	-	-
Under/(over) provision of taxation in prior financial years	25,961	10,984	459	(5)
Effect on zakat deduction	(1,289)	(699)	-	-
Deferred tax not recognised in prior financial years	3,080	-	-	-
Others	(559)	-	-	-
Tax expense for the financial year	196,821	219,803	1,671	4,974

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37. INCOME TAX EXPENSE (CONTD.)

Tax borne by policyholders/participants

	Group	
	2015	2014
	RM'000	RM'000
<u>Income tax:</u>		
Current financial year		
- Malaysia	41,404	78,182
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences (Note 16)	11,933	(7,763)
Over provision of taxation in prior financial years	(53,304)	(375)
	<u>33</u>	<u>70,044</u>

Taxation of shareholders' and general funds

The income tax for shareholders' fund and general fund in Malaysia operation and Singapore operation are calculated at the statutory tax rate of 25% (2014: 25%) and 17% (2014: 17%) respectively and of the estimated assessable profit for the financial year.

Taxation of life insurance and family takaful business

The income tax for the life and family takaful funds are calculated based on the statutory rate of 8% (2014: 8%) of the estimated assessable investment income net of allowable deductions for the financial year for Malaysia operation.

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38. DIVIDENDS

	2015 RM'000	2014 RM'000
Group and Company		
Recognised during the financial year:		
Interim dividend for the year ended 31 December 2015:		
- 0.993 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	250,241	-
Interim dividend for the year ended 31 December 2014:		
- 218.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	-	550,128
	<u>250,241</u>	<u>550,128</u>
Distribution to non-controlling interest by a subsidiary for the year ended 31 December 2015:		
- 1.50 sen per unit, tax exempt distribution on 796,503 units	12	-
Distribution to non-controlling interest by a subsidiary for the year ended 31 December 2014:		
- 0.64 sen per unit, tax exempt distribution on 791,480 units	-	5
	<u>250,253</u>	<u>550,133</u>

The directors do not recommend the payment of any final dividend in respect of the current financial year.

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39. OPERATING LEASE COMMITMENTS

- (a) As at the reporting date, the insurance and takaful subsidiaries leases their office premises under lease agreements that are not cancellable within a year. The leases contain renewable options. Lease terms do not contain restrictions on the branch's activities concerning additional debts or further leasing.

Future minimum lease payments for the leases with initial or remaining terms of one year or more are as follows:

	2015 RM'000	2014 RM'000
Group		
Within 1 year	20,186	16,415
After 1 year but not more than 5 years	59,173	52,916
	<u>79,359</u>	<u>69,331</u>

Rental expenses recognised in income statement during the financial year is disclosed in Note 32.

- (b) The Group has entered into operating lease agreements on its portfolio of investment properties. The leases have remaining lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The leases also include a clause that allows for early termination but requires the tenant to provide a replacement tenant or pay for the remaining unexpired lease period.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2015 RM'000	2014 RM'000
Group		
Not later than 1 year	39,972	35,927
Later than 1 year but not later than 5 years	67,694	60,881
	<u>107,666</u>	<u>96,808</u>

Rental income on investment properties recognised in income statement during the financial year is disclosed in Note 27.

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40. OTHER COMMITMENTS AND CONTINGENCIES

Group	2015 RM'000	2014 RM'000
Approved and contracted for:		
Property, plant and equipment	3,926	14,294
Investment property - IPUC	42,043	58,877
Intangible assets	22,306	15,142
	<u>68,275</u>	<u>88,313</u>
Approved and not contracted for:		
Investment property - IPUC	211,194	219,782
Intangible assets	3,613	-
	<u>214,807</u>	<u>219,782</u>

41. SHARE BASED COMPENSATION

The Maybank Group ESS is governed by the by-laws approved by the shareholders of MBB at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and it is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of the ESOS and the RSU.

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The maximum number of ordinary shares of RM1.00 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme. Other principal features of the ESS are as follows:

- (i) The employees eligible to participate in the ESS must be employed on a full time basis and on the payroll of the Participating Maybank Group and is confirmed in service.

Participating Maybank Group includes MBB and its overseas branches and subsidiaries of which the Group and the Company are included, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.

- (ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of MBB in a general meeting.

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41. SHARE BASED COMPENSATION (CONTD.)

- (iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, MBB may terminate the ESS at any time during the duration of the scheme subject to:

- consent of MBB's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and
- written consent of all participants of ESS who have yet to exercise their ESS option, either in part or in whole, and all participants whose RSU Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

- (iv) The ESS consists of the ESOS, the RSU and the CESS. Personnel of the Company are eligible only for the ESOS and RSU but are not eligible for the CESS.

- **ESOS**

Under the ESOS award, MBB may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS options which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares of RM1.00 each in MBB, provided all the conditions including performance-related conditions are duly and fully satisfied.

- **RSU**

Under the RSU award, MBB may from time to time within the offer period, invite selected participants to enter into an agreement with MBB, whereupon MBB shall agree to award the scheme shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) year cliff vesting schedule or a two (2) year cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

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41. SHARE BASED COMPENSATION (CONTD.)

- (v) Key features of the ESOS award are as follows:
- On 23 June 2011, MBB granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met the average performance target ("ESOS First Grant"). The first tranche of ESOS under the ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under the ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012. The third tranche of ESOS under the ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013. The fourth tranche of ESOS under the ESOS First Grant amounting to 74,253,400 options have been vested and exercisable as at 30 April 2014. The fifth tranche of ESOS under the ESOS First Grant amounting to 69,854,500 options have been vested and exercisable as at 30 April 2015.

During the financial year ended 31 December 2015, MBB also granted 600 options for appeal cases for fourth tranche of the ESOS First Grant.

On 10 August 2015, the ESS Committee approved the vesting of the sixth tranche of ESOS under the ESOS First Grant amounting to 34,951,500 options to be made effective 30 September 2015. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the 2011 Financial Year End from June 2012 to December 2011, where the second tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be allotted under the sixth tranche shall be prorated based on six months period.

- On 30 April 2012, MBB granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Maybank Group ("ESOS Second Grant"). The first tranche of ESOS under the ESOS Second Grant amounting to 6,185,800 options have been vested and exercisable as at 7 May 2012. The second tranche of ESOS under the ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013. The third tranche of ESOS under the ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014. The fourth tranche of ESOS under the ESOS Second Grant amounting to 10,808,600 options have been vested and exercisable as at 30 April 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period. During the financial year ended 31 December 2015, MBB also granted options for appeal cases for first tranche and second tranche of the ESOS Second Grant amounting to 1,300 and 3,100 respectively.

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41. SHARE BASED COMPENSATION (CONTD.)

(v) Key features of the ESOS award are as follows: (Contd.)

- On 30 April 2013, MBB granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Maybank Group ("ESOS Third Grant"). The first tranche of ESOS under the ESOS Third Grant amounting to 9,199,800 options have been vested and exercisable as at 21 May 2013. The second tranche of ESOS under the ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014. The third tranche of ESOS under the ESOS Third Grant amounting to 9,197,600 options have been vested and exercisable as at 30 April 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.
- On 30 April 2014, MBB granted five (5) tranches of ESOS amounting to 54,027,800 options to confirmed new recruits in the Maybank Group ("ESOS Fourth Grant"). The first tranche of ESOS under the ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014. The second tranche of ESOS under the ESOS Fourth Grant amounting to 10,591,900 options have been vested and exercisable as at 30 April 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period. During the financial year ended 31 December 2015, MBB also granted 100,000 options relates to change of staff grade and 100 options for appeal cases for first tranche of the ESOS Fourth Grant.
- On 30 April 2015, MBB granted four (4) tranches of ESOS amounting to 48,170,100 options to confirmed new recruits in the Maybank Group ("ESOS Fifth Grant"). The first tranche of ESOS under the ESOS Fifth Grant amounting to 11,439,300 options have been vested and exercisable as at 21 May 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.
- On 30 September 2015, MBB granted three (3) tranches of ESOS amounting to 992,400 options to confirmed new recruits in the Maybank Group ("ESOS Special Grant"). The first tranche of ESOS under the ESOS Fifth Grant amounting to 309,400 options have been vested and exercisable as at 21 October 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

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41. SHARE BASED COMPENSATION (CONTD.)

(v) Key features of the ESOS award are as follows: (Contd.)

- The new ordinary shares in MBB allotted upon any exercise of options under the scheme will upon allotment, rank *pari passu* in all aspects with the existing ordinary shares in MBB, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of MBB relating to transfer, transmission and otherwise.
- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.
- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date.
- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU Grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a two (2) to three (3) year cliff vesting schedule.

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42. SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel includes the Directors and Chief Executive Officers of the Group and of the Company.

The Group and the Company have related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Company are as follows:

- (i) Significant transactions of the Group and of the Company with related parties during the financial year were as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Income/(expenses):</u>				
Ultimate holding company:				
Gross premium/contribution income	32,830	27,038	-	-
Commission and fee expenses	(150,817)	(141,421)	-	-
Claims paid	(25,989)	-	-	-
IT services	(216)	-	-	-
Interest/profit income	32,120	51,746	556	17,813
Rental income	3,537	3,350	-	-
Other expenses	(5,231)	(4,304)	(98)	(107)
Net hedging income	1,042	1,717	-	-

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42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

- (i) Significant transactions of the Group and of the Company with related parties during the financial year were as follows (Contd.):

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Income/(expenses):</u>				
Fellow subsidiaries/associates within the MAHB Group:				
Gross dividend income	-	-	370,032	-
Reimbursement of shared services	-	-	9,887	10,269
Rental expense	-	-	(108)	(74)
Other related companies within the MBB Group:				
Gross premium/contribution income	4,023	3,404	-	-
Commission and fee expenses	(9,896)	(11,321)	-	-
Dividend income	6,149	1,580	4,384	-
Other investment income	434	25	434	-
Management fee expense	(393)	-	-	-
Maybank shared services - Information Technology	(20,077)	(22,327)	583	-
Interest/profit income	23,079	15,916	670	-
Rental income (net)	14,886	13,602	-	-
Other expenses	(449)	(608)	-	295
Shareholders of MAHB:				
Dividend paid	(250,241)	(550,128)	(250,241)	(550,128)

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42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

- (i) Significant transactions of the Group and of the Company with related parties during the financial year were as follows (Contd.):

<u>Income/(expenses) (contd.):</u>	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Companies with significant influence over the MBB Group:				
Claims paid	(3,892)	(355)	-	-
Gross premium/contribution income	13,678	3,521	-	-
Interest on subordinated obligations	(14,561)	(13,085)	-	-
	<u>(14,561)</u>	<u>(13,085)</u>	<u>-</u>	<u>-</u>

- (ii) Included in the statements of financial position of the Group and of the Company are amounts due from/(to) related companies as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
Bank balances	201,502	189,322	866	1,856
Fixed deposits	189,254	309,774	-	3,507
Islamic investment account	19,696	18,982	-	-
NCD/NICD	68,963	66,463	-	-
Structured deposits	125,365	170,275	-	-
Debt securities	170,548	302,868	-	-
Derivative liabilities, net	(56,480)	(15,135)	-	-
Income and profits due and accrued	6,404	6,804	-	-
Insurance/takaful receivables	680	8,037	-	-
Insurance/takaful payables	(4,453)	(437)	-	-
Claim liabilities	(60,656)	(256)	-	-
Outstanding premium	9,628	7,600	-	-
Other receivables	524	3	-	3
Other payables	(6,332)	(10,948)	(2)	(172)
	<u>(6,332)</u>	<u>(10,948)</u>	<u>(2)</u>	<u>(172)</u>

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42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(ii) Included in the statement of financial position of the Group and of the Company are amounts due from/(to) related companies as follows (Contd.):

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fellow subsidiaries/associates within the MAHB Group:				
Other receivables	-	-	2,155	8,251
Other payables	-	-	(93,233)	(93,770)
Other related companies within the MBB Group:				
Bank balances	881	64,148	-	-
Fixed and call deposits	487,980	327,937	-	-
Islamic investment account	585,867	130,092	91,705	-
Structured products	72,221	65,775	-	-
Debt securities	60,107	60,055	-	-
Income and profits due and accrued	3,926	2,116	653	-
Insurance/takaful receivables	196	126	-	-
Outstanding premiums	1	-	-	-
Other receivables	372	384	3	-
Other payables	(7,469)	(6,960)	-	-
Insurance/takaful payables	(5)	(40)	-	-
Derivatives liabilities	1,139	(1,683)	-	-
Companies with significant influence over the MBB Group:				
Insurance/takaful receivables	426	650	-	-
Outstanding premiums	75	-	-	-
Claims liabilities	(2,739)	-	-	-
Insurance/takaful payables	(936)	(271)	-	-
Subordinated obligations	(350,684)	(350,675)	-	-

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42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(iii) The remuneration of key management personnel compensation during the year was as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term employee benefits				
- Fees	4,891	2,105	989	570
- Salaries, allowances and bonuses	2,882	2,058	1,320	775
- Contribution to EPF and pension scheme	451	416	225	213
- Other emoluments	940	923	122	652
	<u>9,164</u>	<u>5,502</u>	<u>2,656</u>	<u>2,210</u>

(iv) The movement in share options of key management personnel is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	2,543	274	1,475	95
Granted	466	1,636	425	1,380
Exercised	(210)	-	-	-
Resignation of key management personnel	-	(336)	-	-
Appointment of key management personnel	-	969	-	-
At 31 December	<u>2,799</u>	<u>2,543</u>	<u>1,900</u>	<u>1,475</u>

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43. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa Insurance Berhad ("EIB"), Etiqa Takaful Berhad ("ETB") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "The Group".

Six (6) key building blocks has been sets which served as the foundation for risk management and executed in accordance with the standards and risk appetite set by the Board.



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

Principles

The approach to risk management is premised on the following seven (7) broad principles:

- Established Risk Appetite and Strategy
- Assign Adequate Capital
- Ensure Governance and Oversight Function
- Promote Strong Risk Culture
- Establish Adequate Risk Framework and Policies
- Establish Risk management Practices and Processes
- Ensure Sufficient Resources and System Infrastructures

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43. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Appetite and Strategy

The establishment of the Group's risk appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite should enable the Board of Directors("the Board") and Senior Management to communicate, understand and assess the types and level of risk that they are willing to accept in pursuit of its business objectives.

Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising from business transactions are consistent with the risk profile and risk appetite established.

Governance and Risk Oversight

The Group continuously enhances its integrated risk management approach towards effective management of enterprise-wide risks. The management of risk broadly takes place at different hierarchical levels and is emphasized through various levels of committees, business lines, control and reporting functions.

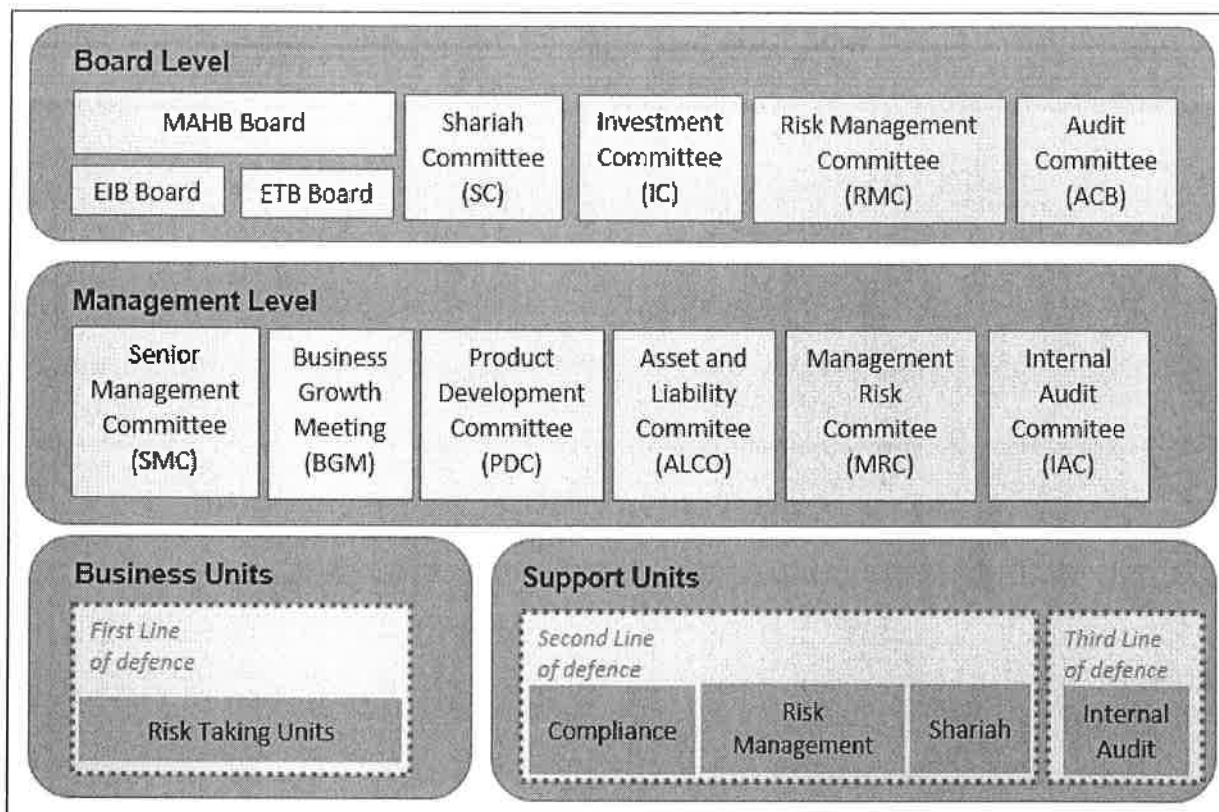
The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group.

The risk governance structure has outlines the organization, hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function. The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Board, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").

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43. RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (cont'd.)



The governance structure in place aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) lines of defence which include the risk taking units, risk control units and internal audit.

Board

The MAHB Board, together with the EIB and ETB Board, have the final responsibility for all business activities, including risk management. The Board is the ultimate decision-making body of the Group. The boards have delegated specific matters to sub-board Committee, such as risk matters to the Risk Management Committee, Audit matters to the Audit Committee and investment matters to the Investment Committee.

SC

The role of the SC is to oversee Shariah compliance for the takaful subsidiary. The SC assists the Board in fulfilling its supervision and monitoring responsibilities in respect of Shariah principles.

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43. RISK MANAGEMENT FRAMEWORK (CONTD.)

RMC

The roles of the RMC is to assist the Board in fulfilling its supervision and monitoring responsibility in respect of internal control, including monitoring the risk profiles of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board.

IC

The role of the IC is the governance body which carries an oversight function for investment related activities.

ACB

The role of the ACB is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal and external audit activities.

SMC

The responsibility of the SMC is to assure the Board that the components of the Group take appropriate decisions regarding risks and return and to make sure adequate controls exist and are fully operational.

MRC

The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

ALCO

The ALCO is responsible for the investment strategy and operations. It will carry out its responsibilities within the limits set by the MRC taking into consideration the Risk Appetite and Asset Liability Management ("ALM") constraints.

IAC

The IAC is responsible for the monitoring and follow-up of audit findings.

BGM

BGM is a platform for business leaders to discuss business growth development issues.

PDC

PDC prime objective is to coordinate and manage the whole process of product development and product management for the specific product line that derived from overall marketing plan of the Group.

MAYBANK AGEAS HOLDINGS BERHAD
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43. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Culture

Risk culture is a vital component in strengthening the Group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management through the risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The risk culture are strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

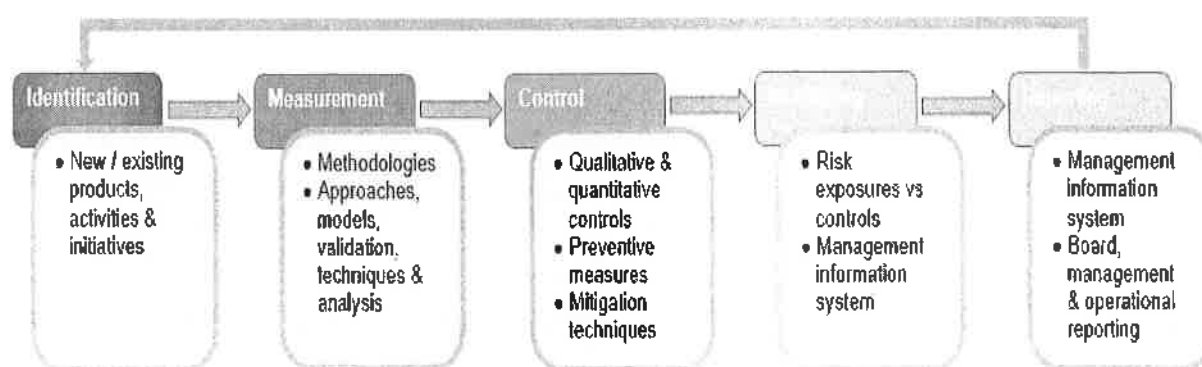
In line with the evolving market environment and dynamics within the Group and the Company and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk Management Practices and Process

Risk management practices and process are a fundamental component of the risk principles. It is essential in enabling systematic identification, measurement, controlling, monitoring and reporting of risk exposures.

To enable an effective execution of the risk management practices and process, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group and the Company.

There are five (5) main stages of the risk management process which form a continuous cycle are as follows:



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43. RISK MANAGEMENT FRAMEWORK (CONTD.)

Resource and System Infrastructure

Appropriate system infrastructure and resources are the foundation and enabler to an effective risk management practices and process. As a result, the Group should equip itself with necessary resources, infrastructure and support to perform its roles efficiently.

Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

In addition, the requisite skills, qualifications, experience and competencies of staff within risk management should be compatible with the nature, scale and complexity of the Group's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities.

System Infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system to support an enterprise-wide or consolidated view of risks.

Through the established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately.

In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within the Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

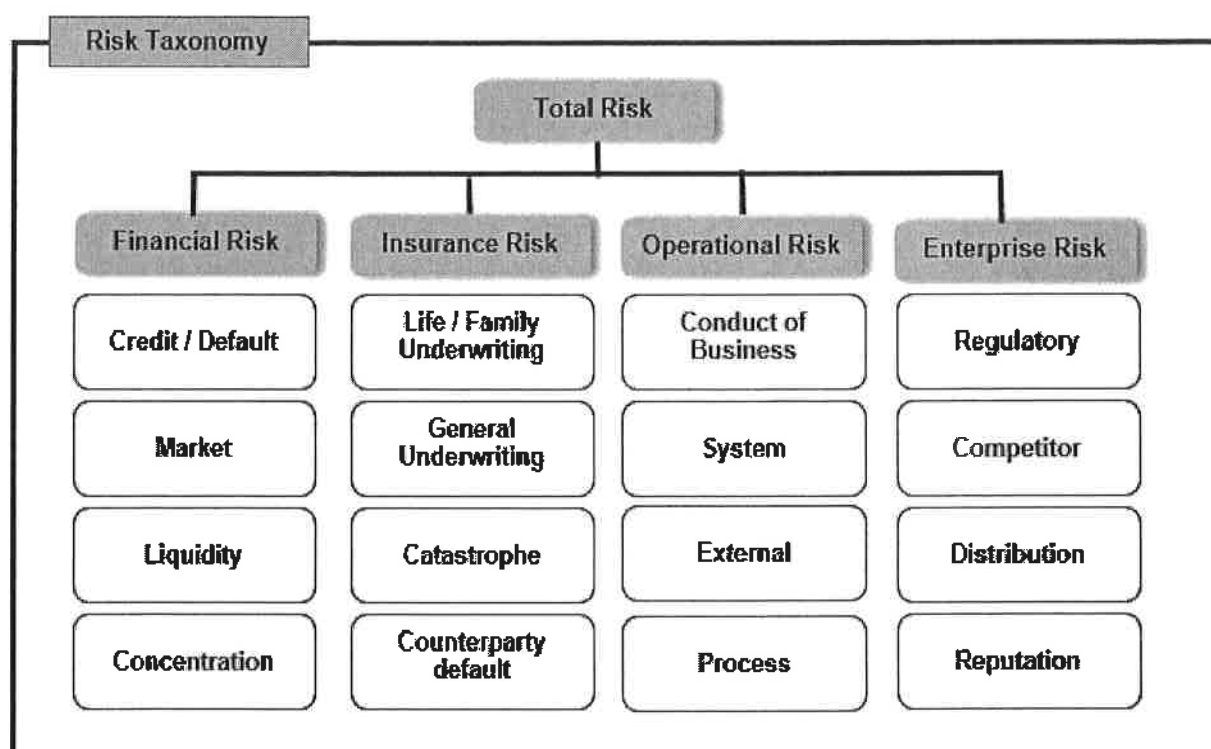
Risk Taxonomy

The major risk categories are govern by the Risk Taxonomy which consists of Financial, Insurance, Operational and Enterprise Risk. Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.

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43. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (cont'd.)



44. INSURANCE/TAKAFUL RISK

Group

Insurance/Takaful risk relates to the inherent risk associated in the underwriting activities of Life, Family and General business, both for Takaful and Insurance. Such risk includes pricing, reserving, underwriting, catastrophe and reinsurance/retakaful counterparty default. Analyses are performed to manage pricing, underwriting and reserving risks by evaluating trends before benefits and claims become due for payment.

Reinsurance/retakaful is placed to minimise certain insurance/takaful risks within the established risk parameters. Risks associated with reinsurance/retakaful companies are the counterparty risk of reinsurers and retakaful operators failing to honor their obligations. The Group evaluates the ability of all the current and prospective reinsurers/retakaful operators to meet their obligations under exceptional but plausible adverse events on an on-going basis.

The Group has established appropriate guidelines and a framework combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Group's guidelines and standards.

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(A) Life Insurance

Group

(i) The table below discloses the concentration of actuarial liabilities by type of contract.

Group	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<u>Malaysia</u>						
Whole life	659,514	-	659,514	625,875	-	625,875
Endowment	3,389,032	-	3,389,032	4,271,162	-	4,271,162
Mortgage	875,888	(19,500)	856,388	874,602	(22,535)	852,067
Term assurance	353,935	-	353,935	371,026	-	371,026
Annuity	213,396	-	213,396	491,518	-	491,518
Others	434,988	-	434,988	71,807	-	71,807
	<u>5,926,753</u>	<u>(19,500)</u>	<u>5,907,253</u>	<u>6,705,990</u>	<u>(22,535)</u>	<u>6,683,455</u>
<u>Singapore</u>						
Whole life	10,541	(893)	9,648	3,203	(180)	3,023
Endowment	139,173	(6)	139,167	28,881	(5)	28,876
Term assurance	85	(39)	46	-	-	-
Others	125	(4)	121	-	-	-
	<u>149,925</u>	<u>(942)</u>	<u>148,982</u>	<u>32,084</u>	<u>(185)</u>	<u>31,899</u>
Total	6,076,678	(20,442)	6,056,235	6,738,074	(22,720)	6,715,354

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)**44. INSURANCE RISK (CONTD.)****(A) Life Insurance (Contd.)****Group (Contd.)****(ii) Key Assumptions**

Material judgement is required in determining the insurance liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a periodic basis in order to ensure realistic and reasonable valuations.

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

(a) Discount rate

The discount rate used for non-participating policies, guaranteed benefit liabilities of participating policies and the non-unit liability of investment-linked policies is the yield observed on Malaysian Government Securities ("MGS") for Malaysia operations and Singapore Government Securities for Singapore operation of the appropriate duration respectively.

In the case of the total benefits liabilities of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the participating fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes and long term strategic assets allocation. Participating business includes participating annuity. The discount rate for participating annuity business is the gross rate as these funds are tax exempt.

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

Group (Contd.)

(ii) Key Assumptions (Contd.)

(b) Mortality and morbidity rates

Mortality and morbidity rates represents the expected claims experience of the Group.

The Group bases mortality and morbidity on local established industry tables which reflect historical experiences and reinsurance premium rates, adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experiences. For those contracts that insure longevity risk, an allowance is made for expected future mortality improvements.

(c) Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business i.e. the probability of policyholders renew their policies etc. These rates are based on the insurer's historical experience of lapses and surrenders.

(d) Expenses

Expense assumptions represent the expected amount that will be incurred in servicing the policies over its expected life. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

(iii) Sensitivity analyses

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

Group (Contd.)

(iii) Sensitivity analyses (Contd.)

The correlation of assumptions will have a significant effect on the sensitivities but to demonstrate the impact due to changes in specific assumptions, these sensitivities are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit before tax RM'000	Impact on Equity RM'000
<u>Life Insurance - Malaysia</u>					
2015					
Discount rate *	-1%	513,236	512,260	(191,551)	(167,256)
Mortality and morbidity rates	+/- 10% (adverse)	131,960	130,279	(105,080)	(81,971)
Lapse and surrender rates	+/- 10% (adverse)	26,014	25,986	(2,775)	(4,505)
Expenses	+10%	33,377	33,377	(22,935)	(17,971)
2014					
Discount rate *	-1%	562,014	560,867	(191,075)	(159,955)
Mortality and morbidity rates	+/- 10% (adverse)	126,191	124,262	(99,647)	(74,735)
Lapse and surrender rates	+/- 10% (adverse)	22,758	22,802	(685)	(513)
Expenses	+10%	41,857	41,857	(22,749)	(17,062)

* excludes impact on fixed income assets

** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

Group (Contd.)

(iii) Sensitivity analyses (Contd.)

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit before tax RM'000	Impact on Equity RM'000
<u>Life Insurance - Singapore</u>					
2015					
Discount rate *	-1%	92,188	91,984	(91,984)	(91,984)
Mortality and morbidity rates	+/- 10% (adverse)	1,184	1,045	(1,045)	(1,045)
Lapse and surrender rates	+/- 10% (adverse)	3,176	3,139	(3,139)	(3,139)
Expenses	+10%	4,644	4,644	(4,644)	(4,644)
2014					
Discount rate *	-1%	31,508	31,389	(31,389)	(31,389)
Mortality and morbidity rates	+/- 10% (adverse)	462	403	(403)	(403)
Lapse and surrender rates	+/- 10% (adverse)	1,121	1,115	(1,115)	(1,115)
Expenses	+10%	1,983	1,983	(1,983)	(1,983)

* excludes impact on fixed income assets

** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

44. INSURANCE RISK (CONTD.)

(B) Family Takaful

Group

(i) The table below shows the concentration of actuarial liabilities by type of contract.

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Endowment	1,520,535	-	1,520,535	1,553,097	-	1,553,097
Mortgage	3,223,310	(26,241)	3,197,069	3,098,856	(6,788)	3,092,068
Term assurance	16,053	-	16,053	21,506	(2,979)	18,527
Annuity	785,456	-	785,456	786,876	-	786,876
Others	441,870	-	441,870	328,489	-	328,489
Total	5,987,224	(26,241)	5,960,983	5,788,824	(9,767)	5,779,057

All of the Family takaful business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Group.

(ii) Key Assumptions

Material judgement is required in determining the Participants' Risk Fund ("PRF") liabilities. The PRF refers to the fund in which the portion of contributions paid by the participants is allocated and pooled for the purpose of meeting claims. Assumptions are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(B) Family Takaful (Contd.)

Group (Contd.)

(ii) Key Assumptions (Contd.)

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

- (a) Discount rate
The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration.
- (b) Mortality and morbidity rates
Mortality and morbidity rates represents the expected claims experience of the takaful operator. The takaful operator determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the takaful operator's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that are exposed to longevity risk, allowance is made for expected future mortality improvements.
- (c) Lapse and surrender rates
Lapse and surrender rates are used to determine the expected persistency of the business i.e. the expectation that participants will renew their certificates etc. These rates are based on the takaful operator's historical experience of lapses and surrenders.
- (d) Expenses
Expense assumptions represent the expected amount that will be incurred in servicing the certificates over their expected lives. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

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44. INSURANCE RISK (CONTD.)

(B) Family Takaful (Contd.)

Group (Contd.)

(iii) Sensitivity analyses

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of takaful liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

The correlation of assumptions will have a significant effect on the sensitivity analyses but to demonstrate the impact due to changes in specific assumptions, the sensitivity analyses are performed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analyses will also vary according to the current economic assumptions.

	% change in Assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit before Tax RM'000	Impact on Equity RM'000
2015					
Discount rate *	-100 bps	285,851	283,370	(58,669)	(58,669)
Mortality and morbidity rates	+10%	268,473	254,095	(60,162)	(60,162)
Lapse and surrender rates	-10%	16,353	16,877	(4,130)	(4,130)
Expenses	+10%	18,101	18,101	(5,108)	(5,108)

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(B) Family Takaful (Contd.)

Group (Contd.)

(iii) Sensitivities (Contd.)

		% change in Assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit before Tax RM'000	Impact on Equity RM'000
2014						
Discount rate *		-100 bps	268,973	267,859	(66,006)	(66,006)
Mortality and morbidity rates		+10%	252,303	247,523	(65,826)	(65,826)
Lapse and surrender rates		-10%	17,366	17,543	(4,752)	(4,752)
Expenses		+10%	18,169	18,169	(4,655)	(4,655)

* excludes impact on profit rate assets

** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key assumption being analysed. For the purposes of the sensitivity analysis, management has only examined the impact arising from adverse changes to these key assumptions as the impact of such adverse changes would be more significant to management in their decision-making process and strategic positioning.

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44. INSURANCE RISK (CONTD.)

(C) General Insurance

Group

(i) The table below discloses the premium written by type of contract.

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<u>Malaysia</u>						
Motor	242,726	(8,124)	234,602	251,237	(9,038)	242,199
Fire	174,369	(86,630)	87,739	186,721	(106,573)	80,148
Marine, Aviation, Cargo and Transit	792,384	(776,359)	16,025	742,225	(726,173)	16,052
Miscellaneous	232,223	(63,460)	168,763	211,427	(61,158)	150,269
	1,441,702	(934,573)	507,129	1,391,610	(902,942)	488,668
<u>Singapore and Brunei</u>						
Motor	24,359	(652)	23,707	27,390	(1,170)	26,220
Fire	21,081	(4,210)	16,871	32,163	(8,372)	23,791
Marine, Aviation, Cargo and Transit	3,496	(3,514)	(18)	5,315	(1,443)	3,872
Miscellaneous	59,485	(18,678)	40,807	78,560	(26,466)	52,094
	108,421	(27,054)	81,367	143,428	(37,451)	105,977
Total	1,550,123	(961,627)	588,496	1,535,038	(940,393)	594,645

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group (Contd.)

(ii) Key Assumptions and Methods

The estimation of claims liabilities based on Bank Negara Malaysia's Risk-Based Capital Framework for Insurers requires all general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

The assumptions used in the projection methodologies, including future rates of claims inflation, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect any one-off occurrences, changes in external or market factors such as the public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process explicitly by adding in a provision of risk margin for adverse deviation ("PRAD") for the best estimate of the cost of future claim payments.

The methodology used in deriving the ULAE is the same as last year. A loading is applied directly to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE.

Unallocated loss adjustment expense

2015 **2014**

Malaysia - Unallocated loss adjustment expense to paid loss ratio

5% 5%

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group (Contd.)

(iii) Sensitivity analyses

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development in earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the general insurance fund's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Accordingly, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and equity.

General Insurance - <u>Malaysia & Brunei businesses</u>	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2015					
Net Incurred Claims Ratio	+ 5%	73,607	26,120	26,120	19,590
	- 5%	(73,607)	(26,120)	(26,120)	(19,590)
2014					
Net Incurred Claims Ratio	+ 5%	64,759	24,739	(24,739)	(18,554)
	- 5%	(64,759)	(24,739)	24,739	18,554

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group (Contd.)

(iii) Sensitivity analyses (Contd.)

General Insurance - Singapore business

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2015					
Net Incurred Claims Ratio	+ 5%	7,022	5,484	(5,484)	(3,840)
	- 5%	(7,022)	(5,484)	5,484	3,840
2014					
Net Incurred Claims Ratio	+ 5%	5,222	4,175	(4,175)	(3,131)
	- 5%	(5,222)	(4,175)	4,175	3,131

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

(iv) Claims development table

The following tables show estimated incurred claims for the insurance subsidiary, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the insurance subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The insurance subsidiary gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

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(Incorporated in Malaysia)

44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

	Before 2009	As at 31 December						Total RM'000
		2009	2010	2011	2012	2013	2014	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year								
Estimate of gross cumulative claims:								
At the end of accident year		511,266	562,758	387,941	640,233	687,574	3,368,421	472,373
1 year later		420,875	738,192	533,071	670,334	507,493	3,324,465	
2 years later		314,554	733,794	386,610	655,020	600,092		
3 years later		303,437	669,579	396,983	681,399			
4 years later		298,374	631,422	398,866				
5 years later		296,156	620,503					
6 years later		295,228						
Estimate of gross cumulative claims (A)		295,228	620,503	398,866	681,399	600,092	3,324,465	472,373
Estimate of gross cumulative payments to date:								
At the end of accident year		137,944	141,508	121,264	229,494	167,692	1,120,319	117,553
1 year later		229,309	324,251	247,258	359,755	307,101	1,383,292	
2 years later		273,022	399,692	283,406	472,739	406,804		
3 years later		285,531	503,397	306,870	531,619			
4 years later		287,957	511,782	350,548				
5 years later		288,669	594,059					
6 years later		289,641						
Gross cumulative payments (B)		289,641	594,059	350,548	531,619	408,804	1,383,292	117,553

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MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities (Contd.)

	As at 31 December							Total RM'000	
	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000		
Gross outstanding claim liabilities (A) - (B)	102,586	5,587	26,443	48,318	149,780	191,288	1,941,172	354,820	2,819,994
Gross outstanding claim liabilities for Brunei and Treaty Inward									79,538
Gross outstanding claim liabilities for Singapore									159,326
Unallocated loss adjustment expenses									15,775
Best estimate of gross claim liabilities									3,074,633
PRAD									436,599
Gross insurance claims liabilities as at 31 December 2015									<u>3,511,232</u>

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44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	As at 31 December											Total RM'000
	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000				
Estimate of net cumulative claims:												
At the end of accident year												
1 year later		351,437	366,444	237,994	271,700	283,985	263,503	255,864				
2 years later		226,824	257,423	239,453	258,324	265,906	251,303					
3 years later		216,933	257,693	234,554	260,331	274,429						
4 years later		216,002	254,756	238,818	264,442							
5 years later		213,716	256,253	239,469								
6 years later		212,961	258,008									
Estimate of net cumulative claims (A)		212,380	258,008	239,469	264,442	274,429	251,303	255,864				
Estimate of net cumulative payments to date:												
At the end of accident year		116,199	129,148	104,838	113,841	131,720	113,052	105,240				
1 year later		180,253	215,845	197,855	211,743	224,674	195,128					
2 years later		199,997	239,697	220,615	239,069	244,820						
3 years later		207,217	247,450	229,267	247,803							
4 years later		208,925	249,705	231,826								
5 years later		209,159	250,289									
6 years later		209,838										
Net cumulative payments (B)		209,838	250,289	231,826	247,803	244,820	195,128	105,240				

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance (Contd.)

	As at 31 December										Total RM'000
	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000			
Net outstanding claim liabilities (A) - (B)	6,153	2,542	7,719	7,643	16,639	29,609	56,176	150,624			277,104
Net outstanding claim liabilities for Brunei and Treaty Inward											79,095
Net outstanding claim liabilities for Singapore											134,696
Unallocated loss adjustment expenses											15,775
Best estimate of net claim liabilities											506,670
PRAD											83,664
Net insurance claims liabilities as at 31 December 2015											<u>590,334</u>

MAYBANK AGEAS HOLDINGS BERHAD
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44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

Accident year	Before	As at 31 December						Total	
	2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	RM'000
Estimate of gross cumulative claims:									
At the end of accident year		459,301	605,472	656,260	460,417	698,578	746,028	3,428,944	
1 year later		593,658	509,549	831,332	601,879	724,724	561,885		
2 years later		438,580	404,015	820,858	455,819	707,003			
3 years later		434,911	395,351	756,811	464,213				
4 years later		439,218	393,292	718,687					
5 years later		438,673	391,527						
6 years later		437,272							
Estimate of gross cumulative claims (A)		437,272	391,527	718,687	464,213	707,003	561,885	3,428,944	
Estimate of gross cumulative payments to date:									
At the end of accident year		155,876	170,003	167,364	137,202	243,483	184,340	1,132,570	
1 year later		293,662	288,903	376,516	281,548	368,294	339,448		
2 years later		361,297	342,231	461,088	328,451	509,283			
3 years later		402,446	364,424	576,511	359,715				
4 years later		417,902	376,405	589,633					
5 years later		426,187	380,104						
6 years later		429,717							
Gross cumulative payments (B)		429,717	380,104	589,633	359,715	509,283	339,448	1,132,570	

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(Incorporated in Malaysia)

44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities (Contd.)

	As at 31 December										Total
	Before 2008	2008	2009	2010	2011	2012	2013	2014	2014		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross outstanding claim liabilities (A) - (B)	100,442	7,555	11,423	129,054	104,498	197,720	222,437	2,296,374	3,069,503		
Gross outstanding claim liabilities for Brunei and Treaty Inward									75,772		
Gross outstanding claim liabilities for Singapore - Alpha Reinsurance									3,176		
Unallocated loss adjustment expenses									17,509		
Best estimate of gross claim liabilities									3,165,960		
PRAD									1,070,414		
Gross insurance claims liabilities as at 31 December 2014									4,236,374		

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44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

	Before 2008	As at 31 December						Total RM'000
		2008	2009	2010	2011	2012	2013	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims:								
At the end of accident year								
1 year later	316,237	440,485	449,907	301,441	325,515	338,573	321,446	
2 years later	289,372	310,411	343,699	301,483	308,359	317,171		
3 years later	287,788	300,200	338,592	296,650	305,964			
4 years later	293,719	301,649	335,791	298,345				
5 years later	294,510	302,635	334,659					
6 years later	296,408	302,226						
	295,031							
Estimate of net cumulative claims (A)	295,031	302,226	334,659	298,345	305,964	317,171	321,446	
Estimate of net cumulative payments to date:								
At the end of accident year								
1 year later	130,198	146,144	153,497	119,674	126,418	147,320	129,611	
2 years later	234,926	235,823	264,709	229,437	238,364	254,988		
3 years later	260,309	264,419	297,575	261,186	270,843			
4 years later	274,383	280,774	314,687	276,122				
5 years later	283,359	291,881	321,091					
6 years later	288,983	294,745						
	291,911							
Net cumulative payments (B)	291,911	294,745	321,091	276,122	270,843	254,988	129,611	

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44. INSURANCE RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance (Contd.)

	As at 31 December							Total RM'000
	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	
Net outstanding claim liabilities (A) - (B)	7,457	3,120	7,481	13,568	22,223	35,121	62,183	191,835
Net outstanding claim liabilities for Brunei and Treaty Inward								74,906
Net outstanding claim liabilities for Singapore - Alpha Reinsurance								3,176
Unallocated loss adjustment expenses								17,509
Best estimate of net claim liabilities								438,579
PRAD								88,513
Net insurance claims liabilities as at 31 December 2014								527,092

Prior to 2009, gross valuation was only performed at the middle of each year. Thus the estimated cumulative claims for year 2008 and prior were based on gross premiums earned in the first half of the year only (i.e. up to 30 June only).

Subsequent to 2009, gross valuation are performed as at the end of the year. Thus, the estimated cumulative claims from year 2009 to 2011 represents the estimate of expected claims to be paid on gross premiums earned up to 31 December.

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund

Group

(i) The table below discloses contribution written by type of contract.

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	874,107	(7,808)	866,299	776,689	(7,688)	769,001
Fire	113,913	(39,693)	74,220	104,345	(48,512)	55,833
Marine Cargo, Aviation						
Cargo and Transit	19,079	(16,702)	2,377	17,199	(14,928)	2,271
Miscellaneous	101,442	(19,159)	82,283	115,367	(39,492)	75,875
	<u>1,108,541</u>	<u>(83,362)</u>	<u>1,025,179</u>	<u>1,013,600</u>	<u>(110,620)</u>	<u>902,980</u>

(ii) Key Assumptions and methods

The estimation of the claim liabilities of general takaful fund is based on BNM/RH/GL004-21 *Guidelines on Valuation Basis for Liabilities of General Takaful Business* as issued by BNM. It requires all general takaful operators to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund (Contd.)

(ii) Key Assumptions and methods (Contd.)

The assumptions used in the projection methodologies, including future rates of claims inflation are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are explicitly allowed for in the reserving process by adding in a PRAD for the best estimate of the cost of future claim payments.

The methodology used in deriving the provision for expenses is consistent with prior year. Loadings are applied directly to the central estimate of claim liabilities, the central estimate of URR and UCR to derive the expense liabilities.

(iii) Sensitivity analyses

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund (Contd.)

(iii) Sensitivity analyses (Contd.)

Illustrative results of sensitivity analyses for the general takaful fund's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and the participants' fund.

	% change in Key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2015					
Incurred Claims Ratio	+ 5%	55,628	50,776	(50,776)	(38,082)
	- 5%	(55,628)	(50,776)	50,776	38,082
2014					
Incurred Claims Ratio	+ 5%	48,645	43,116	(43,116)	(14,552)
	- 5%	(48,645)	(43,116)	43,116	14,552

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund (Contd.)

Group

(iv) Claims development table

The following tables show the takaful subsidiary's estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the takaful subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The takaful subsidiary gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

Analysis of claims development - Gross Takaful Certificate Liabilities

Takaful operator

Accident year	As at 31 December											Total RM'000	
	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2015 RM'000	2015 RM'000	2015 RM'000		
Estimate of cumulative claims:													
At the end of accident year													
1 year later		237,471	394,600	437,396	479,285	565,662	589,933	660,739					
2 years later		196,615	258,963	436,220	466,666	554,496	617,750						
3 years later		239,280	260,490	422,091	458,241	564,434							
4 years later		232,675	259,613	435,791	463,180								
5 years later		227,305	260,780	435,672									
6 years later		212,746	261,143										
Estimate of gross cumulative claims to date (A)		193,557	261,143	435,672	463,180	564,434	617,750	660,739					

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Takaful Certificate Liabilities (Contd.)

Takaful operator (Contd.)

Accident year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	As at 31 December			Total RM'000
					2012 RM'000	2013 RM'000	2014 RM'000	
Estimate of cumulative payments to date:								
At the end of accident year								
1 year later		74,439	94,507	131,482	187,973	238,771	231,130	264,533
2 years later		146,844	191,698	269,769	366,008	405,337	470,575	
3 years later		173,478	226,315	376,785	413,088	463,144		
4 years later		183,492	242,215	391,811	432,662			
5 years later		186,640	246,636	396,008				
6 years later		187,652	247,668					
		189,012	247,668	396,008	432,662	463,144	470,575	264,533
Gross cumulative claims paid to date (B)								
Best estimate of gross claim liabilities (A) - (B)	11,153	4,545	13,475	39,664	30,518	101,290	147,175	396,206
PRAD								
Gross takaful claim liabilities as at 31 December 2015								744,026
								181,909
								<u>925,935</u>

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Retakaful

<u>Takaful operator (Contd.)</u>	As at 31 December						Total RM'000
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	
Accident year							
Estimate of cumulative claims:							
At the end of accident year							
1 year later	182,266	342,237	325,123	456,465	506,657	532,858	630,670
2 years later	157,960	227,980	336,639	447,504	477,414	506,414	
3 years later	192,838	227,866	332,456	441,755	486,131		
4 years later	188,992	225,160	338,513	446,237			
5 years later	182,915	225,395	340,270				
6 years later	179,060	226,474					
	180,056						
Estimate of net cumulative claims to date (A)	180,056	226,474	340,270	446,237	486,131	506,414	630,670
Estimate of cumulative payments to date:							
At the end of accident year							
1 year later	72,745	91,793	130,642	186,608	235,297	227,238	259,797
2 years later	135,607	171,337	266,182	356,576	383,436	386,400	
3 years later	161,900	204,893	307,058	399,389	433,014		
4 years later	171,527	216,241	321,595	417,899			
5 years later	174,547	219,629	325,611				
6 years later	175,535	220,626					
	176,618						
Net cumulative claims paid to date (B)	176,618	220,626	325,611	417,899	433,014	386,400	259,797
Best estimate of net claim liabilities (A) - (B)	4,058	5,848	14,659	28,338	53,117	120,014	370,873
PRAD							
Net claim liabilities as at 31 December 2015							600,345
							140,011
							740,356

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross of Retakaful

Takaful operator (Contd.)	Before 2008 RM'000	As at 31 December						Total RM'000
		2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	
Accident year								
Estimate of cumulative claims:								
At the end of accident year								
1 year later	166,000	237,471	394,600	437,396	479,285	565,662	589,933	
2 years later	175,889	196,615	258,963	436,220	466,666	554,496		
3 years later	123,154	239,280	260,490	422,091	458,241			
4 years later	163,998	232,675	259,613	435,791				
5 years later	162,720	227,305	260,780					
6 years later	159,255	212,746						
	155,983	212,746	260,780	435,791	458,241	554,496	589,933	
Estimate of gross cumulative claims to date (A)								
Estimate of cumulative payments to date:								
At the end of accident year								
1 year later	67,164	74,439	94,507	131,482	187,973	238,771	231,130	
2 years later	113,408	146,844	191,698	269,769	366,008	405,337		
3 years later	130,773	173,478	226,315	376,785	413,088			
4 years later	142,458	183,492	242,215	391,811				
5 years later	145,212	186,640	246,636					
6 years later	149,910	187,652						
	153,144	187,652	246,636	391,811	413,088	405,337	231,130	
Gross cumulative claims paid to date (B)								
Best estimate of gross claim liabilities (A) - (B)	8,444	25,094	14,144	43,980	45,153	149,159	358,803	647,616
PRAD								164,238
Gross claim liabilities as at 31 December 2014								811,854

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44. INSURANCE RISK (CONTD.)

(D) General Takaful fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Retakaful

<u>Takaful operator (Contd.)</u>	Before 2008	As at 31 December						Total
		2008	2009	2010	2011	2012	2013	
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims:								
At the end of accident year								
1 year later		152,245	182,266	342,237	325,123	456,465	506,657	532,858
2 years later		156,169	157,960	227,980	336,639	447,504	477,414	
3 years later		108,833	192,838	227,866	332,456	441,755		
4 years later		145,198	188,992	225,160	338,513			
5 years later		141,239	182,915	225,395				
6 years later		139,932	179,060					
		138,454						
Estimate of net cumulative claims to date (A)		138,454	179,060	225,395	338,513	441,755	477,414	532,858
Estimate of cumulative payments to date:								
At the end of accident year								
1 year later		64,563	72,745	91,793	130,642	186,608	235,297	227,238
2 years later		106,228	135,607	171,337	266,182	356,576	383,436	
3 years later		119,667	161,900	204,893	307,058	399,389		
4 years later		129,419	171,527	216,241	321,595			
5 years later		131,894	174,547	219,629				
6 years later		134,548	175,535					
		137,073						
Net cumulative claims paid to date (B)		137,073	175,535	219,629	321,595	399,389	383,436	227,238
Best estimate of net claim liabilities (A) - (B)		1,578	1,381	3,525	5,766	16,918	42,366	305,620
PRAD								471,132
Net claim liabilities as at 31 December 2014								114,775
								<u>585,907</u>

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45. FINANCIAL RISKS

(i) Credit Risk

The Group's and the Company's credit risk arises through investments in fixed income instruments, fixed and call deposits, corporate loans and contracts with reinsurance/retakaful counterparties.

However, the main contribution to credit risk arises from transactions related to the Group's and the Company's positions in debt securities (mainly corporate bonds). The default risk of the Group faces is when counterparties fail to meet contractual payment obligations.

Financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The Group measures and manages its credit risk following the philosophy and principles below:

- (a) The Risk Management and Investment Management Department, actively aim to prevent undue concentration by ensuring its credit portfolio diversified and marketable credit portfolio;
- (b) The asset management research team adopts a prudent position in the selection of fixed income investments;
- (c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty credit quality and aligned to the risk appetite; and
- (d) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statements of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreement. In respect of bifurcated derivatives relating to structured products categorised as AFS financial assets, the bifurcated derivatives are considered together with the host contract for the purposes of financial risk exposures and management.

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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure (cont'd.)

Group

<u>2015</u>	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
LAR				
Fixed and call deposits	1,537,920	1,168,070	822,476	3,528,466
AFS financial investments				
Equity securities	997,765	1,150,493	341,816	2,490,074
Malaysian government papers	191,203	674,674	165,052	1,030,929
Singapore government securities	-	-	16,814	16,814
Debt securities, structured products and NICDs	-	2,625,342	2,770,051	5,395,393
Unit and property trust funds	52,384	61,609	108,965	222,958

Financial investments at FVTPL

(i) Designated upon initial recognition

Malaysian government papers	130,330	244,701	-	375,031
Singapore government papers	24,365	-	-	24,365
Debt securities, structured products, NCDs and NICDs	53,276	4,365,378	5,664,758	10,083,412

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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Group	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
<u>2015 (Contd.)</u>				
Financial investments at FVTPL				
(ii) Held-for-trading (HFT)				
Equity securities	723,530	8,374	-	731,904
Malaysian government papers	85,563	4,192	-	89,755
Redeemable loan stocks	7	-	-	7
Debt securities and structured products	776,964	10,417	-	787,381
Unit and property trust funds	13,571	74	-	13,645
Financing receivables	250,570	3,300	26,404	280,274
Reinsurance assets	3,273,106	236,989	50,733	3,560,828
Insurance receivables	328,338	175,211	26,121	529,670
Other receivables	2,101	108,181	306,911	417,193
Derivative assets	2,610	-	210	2,820
Cash and bank balances	100,469	112,215	77,089	289,773
	8,544,072	10,949,220	10,377,400	29,870,692

2014

LAR

Fixed and call deposits	863,126	492,145	380,689	1,735,960
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AFS financial investments

Equity securities	1,104,512	1,558,585	536,834	3,199,931
Malaysian government papers	94,356	573,923	1,559	669,838
Debt securities, structured products and NICDs	490,543	2,501,213	2,497,215	5,488,971
Unit and property trust funds	56,443	24,820	104,782	186,045

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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Group

2014 (Contd.)

	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	231,195	383,571	-	614,766
Singapore government papers	1,058	-	-	1,058
Debt securities, structured products, NCDs and NICDs	6,987,588	4,055,541	-	11,043,129
(ii) Held-for-trading (HFT)				
Equity securities	663,921	6,235	-	670,156
Malaysian government papers	65,182	8,993	-	74,175
Debt securities and structured products	929,120	4,400	-	933,520
Unit and property trust funds	14,962	7	-	14,969
Financing receivables	258,864	7,300	27,446	293,610
Reinsurance assets	4,134,623	267,365	-	4,401,988
Insurance receivables	370,301	184,608	-	554,909
Other receivables	320,069	200,889	68,782	589,740
Derivative assets	12,646	-	-	12,646
Cash and bank balances	114,140	99,370	34,257	247,767
	16,712,649	10,368,965	3,651,564	30,733,178

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Company	Total Shareholder's Fund RM'000
<u>2015</u>	
LAR	
Fixed and call deposits	130,884
AFS financial investments	
Equity securities	1,038
Unit and property trust funds	102,375
Financing receivables	1,332
Other receivables	4,142
Cash and bank balances	866
	<u>240,637</u>
<u>2014</u>	
LAR	
Fixed and call deposits	51,568
AFS financial investments	
Equity securities	2,539
Unit and property trust funds	100,902
Financing receivables	1,712
Other receivables	8,605
Cash and bank balances	1,855
	<u>167,181</u>

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating

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

Group	Neither past-due nor impaired						Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	^^Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000 BBB to C	Not subject to credit risk RM'000	
2015							
LAR							
Fixed and call deposits	3,389,188	-	-	139,278	-	-	3,528,466
AFS financial investments							
Equity securities	-	-	-	-	-	2,490,074	2,490,074
Malaysian government papers	-	-	1,030,929	-	-	-	1,030,929
Singapore government securities	16,814	-	-	-	-	-	16,814
Debt securities, structured products and NICDs	4,113,913	-	1,281,480	-	-	-	5,395,393
Unit and property trust funds	-	-	-	-	-	222,958	222,958
Financial investments at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	130,330	-	244,701	-	-	-	375,031
Singapore government securities	24,365	-	-	-	-	-	24,365
Debt securities, structured deposits, NICDs and NICDs	7,916,143	-	2,167,269	-	-	-	10,083,412
(ii) Held-for-trading (HFT)							
Equity securities	-	-	-	723,530	-	8,374	731,904
Malaysian government papers	-	-	-	89,755	-	-	89,755
Redeemable loan stock	-	-	-	7	-	-	7
Debt securities and structured deposits	-	-	-	787,381	-	-	787,381
Unit and property trust funds	-	-	-	13,571	-	74	13,645

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

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

Group	Neither past-due nor impaired						Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	^^Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	
2015 (Contd.)							
Financing receivables	-	-	274,010	-	6,264	-	280,274
Reinsurance assets	649,943	22,938	2,887,947	-	-	-	3,560,828
Insurance receivables^^	6,878	65	408,799	-	113,928	-	529,670
Other receivables	151,793	1,969	90,014	22,923	254	150,240	417,193
Derivative assets	210	-	-	2,610	-	-	2,820
Cash and bank balances	272,041	-	15,819	1,905	-	8	289,773
	16,671,618	24,972	8,400,968	1,780,960	120,446	2,871,728	29,870,692

* Based on ratings assigned by external rating agencies including RAM and MARC

^^ Insurance/takaful receivables from agents/insurers/reinsurers licensed under FSA and IFSA are classified under the "not rated" category.

Financial investments such as Malaysian Government Papers and certain corporate debt securities are classified under "Not Rated" category as these investments are issued by the government or guaranteed by the government and which are exempted from the requirement to be rated by rating agencies.

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group	Neither past-due nor impaired					Unit-linked RM'000	Past-due or impaired RM'000 BBB to C	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	^^Not Rated RM'000						
2014									
LAR									
Fixed and call deposits	1,551,025	-	-	-	184,935	-	-	-	1,735,960
AFS financial investments									
Equity securities	-	-	-	-	-	-	-	3,199,931	3,199,931
Malaysian government papers	-	-	669,838	-	-	-	-	-	669,838
Debt securities, structured products and NICDs	4,260,951	17,210	1,210,810	-	-	-	-	-	5,488,971
Unit and property trust funds	-	-	-	-	-	-	-	186,045	186,045
Financial investments at FVTPL									
(i) Designated upon initial recognition									
Malaysian government papers	-	-	614,766	-	-	-	-	-	614,766
Singapore government papers	1,058	-	-	-	-	-	-	-	1,058
Debt securities, structured products, NCDs and NICDs	8,966,565	25,195	2,051,369	-	-	-	-	-	11,043,129
(ii) Held-for-trading (HFT)									
Equity securities	-	-	-	-	663,920	-	-	6,236	670,156
Malaysian government papers	-	-	-	-	74,175	-	-	-	74,175
Debt securities and structured products	-	-	-	-	933,520	-	-	-	933,520
Unit and property trust funds	-	-	-	-	14,962	-	-	7	14,969

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group	Neither past-due not impaired						Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	^^Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000 BBB to C	Not subject to credit risk RM'000	
<u>2014 (Contd.)</u>							
Financing receivables	-	-	282,943	-	10,667	-	293,610
Reinsurance assets	934,291	20,435	3,447,262	-	-	-	4,401,988
Insurance receivables ^{^^}	22,092	64	356,949	-	175,804	-	554,909
Other receivables	188,957	2,284	124,801	24,636	149	248,913	589,740
Derivative assets	-	-	-	12,646	-	-	12,646
Cash and bank balances	245,127	-	2,223	417	-	-	247,767
	16,170,066	65,188	8,760,961	1,909,211	186,620	3,641,132	30,733,178

* Based on ratings assigned by external rating agencies including RAM and MARC

^{^^} Insurance/takaful receivables from agents/insurers/reinsurers licensed under Financial Services Act 2013 and Islamic Financial Services Act 2013 are classified under the "not rated" category.

Financial investments such as Malaysian Government Papers and certain corporate debt securities are classified under "Not Rated" category as these investments are issued by the government or guaranteed by the government and which are exempted from the requirement to be rated by rating agencies.

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MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Company	Neither past-due nor impaired					Total RM'000
	A to AAA RM'000	B to BBB RM'000	Not Rated RM'000	Past-due or impaired RM'000 BBB to C	Not subject to credit risk RM'000	
2015						
LAR						
Fixed and call deposits	130,884	-	-	-	-	130,884
AFS financial investments						
Equity securities	-	-	-	-	1,038	1,038
Unit and property trust funds	-	-	-	-	102,375	102,375
Financing receivables	-	-	1,334	-	-	1,332
Other receivables	-	-	4,142	-	-	4,142
Cash and bank balances	866	-	-	-	-	866
	131,750	-	5,476	-	103,413	240,637
2014						
LAR						
Fixed and call deposits	51,568	-	-	-	-	51,568
AFS financial investments						
Equity securities	-	-	-	-	2,539	2,539
Unit and property trust funds	-	-	-	-	100,902	100,902
Financing receivables	-	-	1,711	1	-	1,712
Other receivables	-	-	8,600	-	5	8,605
Cash and bank balances	1,855	-	-	-	-	1,855
	53,423	-	10,311	1	103,446	167,181

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Quality of Financial Assets

Group	Past due but not impaired			Impaired		Total RM'000
	< 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Original carrying amount RM'000	Allowance for impairment RM'000	
2015						
Financing receivables	45	45	6,174	9,579	(9,579)	-
Reinsurance assets	-	-	-	5,963	(5,963)	-
Insurance receivables	69,815	20,636	23,477	44,450	(44,450)	-
Other receivables	-	-	-	2,518	(2,264)	254
	69,860	20,681	29,651	62,510	(62,256)	254
						120,192
2014						
Financing receivables	50	48	10,569	9,784	(9,784)	-
Reinsurance assets	-	-	-	6,064	(6,064)	-
Insurance receivables	65,588	22,413	87,803	49,755	(49,755)	-
Other receivables	-	-	149	2,934	(2,934)	149
	65,638	22,461	98,521	68,537	(68,537)	-
						186,620

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Quality of Financial Assets

Company	Past due but not impaired				Impaired		Total RM'000
	< 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000	Original carrying amount RM'000	Net for carrying amount RM'000	
2015							
Other receivables	-	-	-	-	7,161	(7,161)	-
Financing receivables	-	-	-	-	1	(1)	-
	-	-	-	-	7,162	(7,162)	-
2014							
Financing receivables	-	-	1	1	1	(1)	-
	-	-	1	1	1	(1)	-

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Group - Reconciliation of allowance account

Movements in allowances for impairment losses for financial assets are as follows:

<u>2015</u>	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
<u>Individual allowance</u>					
At 1 January 2015	9,784	6,064	25,153	2,910	43,911
Reversal of impairment losses during the year	(205)	(101)	(4,022)	(662)	(4,990)
Amount written off	-	-	(708)	(8)	(716)
Exchange differences	-	-	5	-	5
At 31 December 2015	9,579	5,963	20,428	2,240	38,210
<u>Collective allowance</u>					
At 1 January 2015	-	-	24,602	24	24,626
Reversal of impairment losses during the year	-	-	(634)	(6)	(640)
Exchange differences	-	-	54	6	60
At 31 December 2015	-	-	24,022	24	24,046

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Group - Reconciliation of allowance account

Movements in allowances for impairment losses for financial assets are as follows:

<u>2014</u>	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
Individual allowance					
At 1 January 2014	24,342	36	66,528	2,438	93,344
(Reversal of impairment losses)/impairment losses during the year	(9,701)	6,028	542	472	(2,659)
Amount written off	(4,857)	-	(41,918)	-	(46,775)
Exchange differences	-	-	1	-	1
At 31 December 2014	9,784	6,064	25,153	2,910	43,911
Collective allowance					
At 1 January 2014	-	-	36,990	27	37,017
Reversal of impairment losses during the year	-	-	(12,397)	(4)	(12,401)
Exchange differences	-	-	9	1	10
At 31 December 2014	-	-	24,602	24	24,626

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Company - Reconciliation of allowance account

Movements in allowances for impairment losses for financial assets are as follows:

2015	Financing receivables RM'000	Other receivables RM'000	Total RM'000
<u>Individual allowance</u>			
At 1 January 2015	1	-	1
Impairment losses during the year	-	7,161	7,161
At 31 December 2015	<u>1</u>	<u>7,161</u>	<u>7,162</u>
			Financing receivables RM'000
2014			
<u>Individual allowance</u>			
At 1 January 2014			-
Impairment losses during the year			1
At 31 December 2014			<u>1</u>

Financial Effects of Collateral Held

Group

The main types of collateral held as security by the Group to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash value of policies
Corporate loans	Charges over properties, lands being financed
Secured staff/non-staff loans	Charges over residential properties

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 81% as at 31 December 2015 (2014: 95%). The financing receivables amounted to RM227.1 million as at 31 December 2015 (2014: RM293.6 million) are collateralised.

The remaining balance of financing receivables are not collateralised.

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Financial Effects of Collateral Held

Company

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables of the Company is 83% as at 31 December 2015 (2014: 100%). The financing receivables amounted to RM1.33 million as at 31 December 2015 (2014: RM1.7 million) are collateralised.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group and the Company may be unable to meet short-term financial obligations without having to liquidate assets at discounted price.

The objective of liquidity risk management is to safeguard the Group and the Company's ability to meet all payments when they come due. Liquidity risk management will ensure that even under adverse conditions, the Group and the Company has access to the funds necessary to cover surrenders, withdrawal, claims and the maturity of liabilities.

The Group and the Company measure and manage liquidity risk following the philosophy and principles below:

- (a) The Risk Management and Investment Management Department actively monitor the cashflows associated and derived from assets and liabilities of the Group and the Company through the ALCO platform; and
- (b) The Investment Management Department ensures that the established investment limits set takes care of reasonable liquidity requirements at all times.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts/takaful certificates liabilities and reinsurance/retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

Premium/contribution liabilities, the reinsurers' share of premium/contribution liabilities and expense liabilities relating to general takaful have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

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45. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Investments:						
LAR	3,528,466	3,528,466	-	-	-	3,528,466
AFS [^]	6,449,307	486,425	2,834,052	6,186,949	1,388,653	10,896,080
FVTPL [^]	11,353,780	911,707	4,870,496	10,020,088	-	15,802,291
Financing receivables	280,274	232,942	23,308	32,454	18,065	306,769
Reinsurance assets*	3,159,723	1,034,786	465,016	1,691,533	-	3,191,335
Insurance receivables	529,670	529,670	-	-	-	529,670
Other receivables	417,193	415,048	-	-	2,145	417,193
Derivative assets	2,820	2,820	-	-	-	2,820
Cash and bank balances	289,773	282,241	7,532	-	-	289,773
Total assets	26,011,006	7,424,105	8,200,404	17,931,024	1,408,863	34,964,397

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group (cont'd.)

2015 (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date		Total RM'000
					RM'000	RM'000	
Insurance contract liabilities**	21,813,929	7,180,906	3,196,886	18,873,665	172,353	29,423,810	
Subordinated obligation	800,000	33,021	136,840	909,100	-	1,078,961	
Expense liabilities	470,531	56,064	98,900	534,289	-	689,253	
Derivative liabilities	59,298	8,850	50,448	-	-	59,298	
Insurance payables	458,115	450,538	7,577	-	-	458,115	
Other payables	773,026	773,026	-	-	-	773,026	
Interest payable on subordinated obligations	11,316	11,316	-	-	-	11,316	
Total liabilities	24,386,215	8,513,721	3,490,651	20,317,054	172,353	32,493,779	

* Excluding premium/contribution liabilities.

** Excluding premium/contribution liabilities and AFS reserves for General takaful fund.

^ Excluding equity securities, unit and property trust funds.

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group	Carrying value RM'000	Maturity			No maturity date RM'000	Total RM'000
		Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000		
2014						
Investments:						
LAR	1,735,960	1,735,960	-	-	-	1,735,960
AFS	6,158,809	491,086	2,335,588	6,332,676	3,385,976	12,545,326
FVTPL	12,666,648	1,469,019	4,915,782	11,480,918	685,125	18,550,844
Financing receivables	293,610	164,624	94,095	47,706	2,020	308,445
Reinsurance assets*	3,970,013	992,222	726,541	2,262,784	-	3,981,547
Insurance receivables	554,909	554,909	-	-	-	554,909
Other receivables	589,740	589,591	-	-	149	589,740
Derivative assets	12,646	-	12,646	-	-	12,646
Cash and bank balances	247,767	247,764	-	-	3	247,767
Total assets	26,230,102	6,245,175	8,084,653	20,124,084	4,073,273	38,527,184

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date		Total RM'000
					RM'000	RM'000	
2014 (cont'd.)							
Insurance contract liabilities**	22,907,145	8,038,194	4,053,511	16,790,168	22,296	28,904,169	
Subordinated obligation	800,000	34,210	136,840	950,400	-	1,121,450	
Expense liabilities	397,742	34,900	86,279	479,460	-	600,639	
Derivative liabilities	15,134	697	14,437	-	-	15,134	
Insurance payables	489,167	489,167	-	-	-	489,167	
Other payables	701,654	701,654	-	-	-	701,654	
Interest payable on subordinated obligations	11,334	11,334	-	-	-	11,334	
Total liabilities	25,322,176	9,310,156	4,291,067	18,220,028	22,296	31,843,547	

* Excluding premium/contribution liabilities.

** Excluding premium/contribution liabilities and AFS reserve for General takaful fund.

^ Excluding equity securities, unit and property trust funds.

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Company	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Investments:						
LAR	130,884	130,884	-	-	-	130,884
AFS	103,413	103,413	-	-	103,413	206,826
Financing receivables	1,332	211	636	485	-	1,332
Other receivables	4,142	4,142	-	-	-	4,142
Cash and bank balances	866	866	-	-	-	866
Total assets	240,637	239,516	636	485	103,413	344,050
Other payables	95,061	95,061	-	-	-	95,061
Total liabilities	95,061	95,061	-	-	-	95,061

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Company (cont'd.)

2014

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Investments:						
LAR	51,568	51,568	-	-	-	51,568
AFS	103,441	-	-	-	103,441	103,441
Financing receivables	1,712	212	640	860	-	1,712
Other receivables	8,605	8,600	-	-	5	8,605
Cash and bank balances	1,855	1,855	-	-	-	1,855
Total assets	167,181	62,235	640	860	103,446	167,181
Other payables	95,844	95,844	-	-	-	95,844
Total liabilities	95,844	95,844	-	-	-	95,844

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45. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three (3) types of risk:

- (a) foreign exchange rates (currency risk);
- (b) market interest rates/profit yields (interest rate risk); and
- (c) equity price risk.

The Group has three main key features in respect of its market risk management practices and policies:

- (a) A Group-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Group. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable;
- (b) The Group's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Group's risk management policy after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.
- (c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Group also issues investment-linked investment policies with a number of products. In the investment-linked business, the policyholders/participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of market risk in the following pages do not include analyses on the impact of such risks on the investment-linked funds.

MAYBANK AGEAS HOLDINGS BERHAD
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45. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(a) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

As the Group's business is conducted primarily in Malaysia, the Group's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013 and Islamic Services Act 2013, and hence, primarily denominated in the same currency (the local "RM") as its insurance and investment contract liabilities.

The Group does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Group's risk management policy, the Group enters into derivative transactions solely for hedging purposes.

The Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group and the Company have no significant concentration of foreign currency risk.

(b) Interest Rate/Profit Yield Risk

Interest rate/profit yield risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates.

Interest rate/profit yield risks arise from exposures to interest rate/profit yield related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Group.

The Group and the Company measure and manage interest rate/profit yield risk mainly based on the following three philosophies and principles.

- (a) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- (b) Set the benchmark for asset duration in line with risk appetite; and
- (c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

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45. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Interest Rate/Profit Yield Risk

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

Changes in variables	2015		2014	
	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
+100 basis points	(277,346)	(403,218)	(292,859)	(417,841)
-100 basis points	277,346	403,218	292,859	417,841

* Impact on equity is after tax of 25% for Malaysia operations and 17% for Singapore operation.

(c) Equity Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, which principally comprise all investment securities other than those held in the investment-linked funds.

The Group's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM.

The Group complied with BNM stipulated limits during the financial year and had no significant concentration of equity price risk.

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45. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(c) Equity Price Risk

		2015		2014	
		Impact on profit before tax RM'000	Impact on equity** RM'000	Impact on profit before tax RM'000	Impact on equity** RM'000
Bursa	+10%	-	87,881	-	243,163
Malaysia	-10%	-	(87,881)	-	(243,163)

46. OPERATIONAL RISKS

Operational Risk Management ('ORM') is the discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

- Misappropriation of investments, due to fraud, an illegal act, malicious intent, spite, terrorism;
- Disruption or failure of IT systems and infrastructure, which may be used for monitoring, execution, administration;
- Inaccurate calculations due to data quality or errors, methodology flaws, miscalculations; and
- Inaccurate or incomplete controls.

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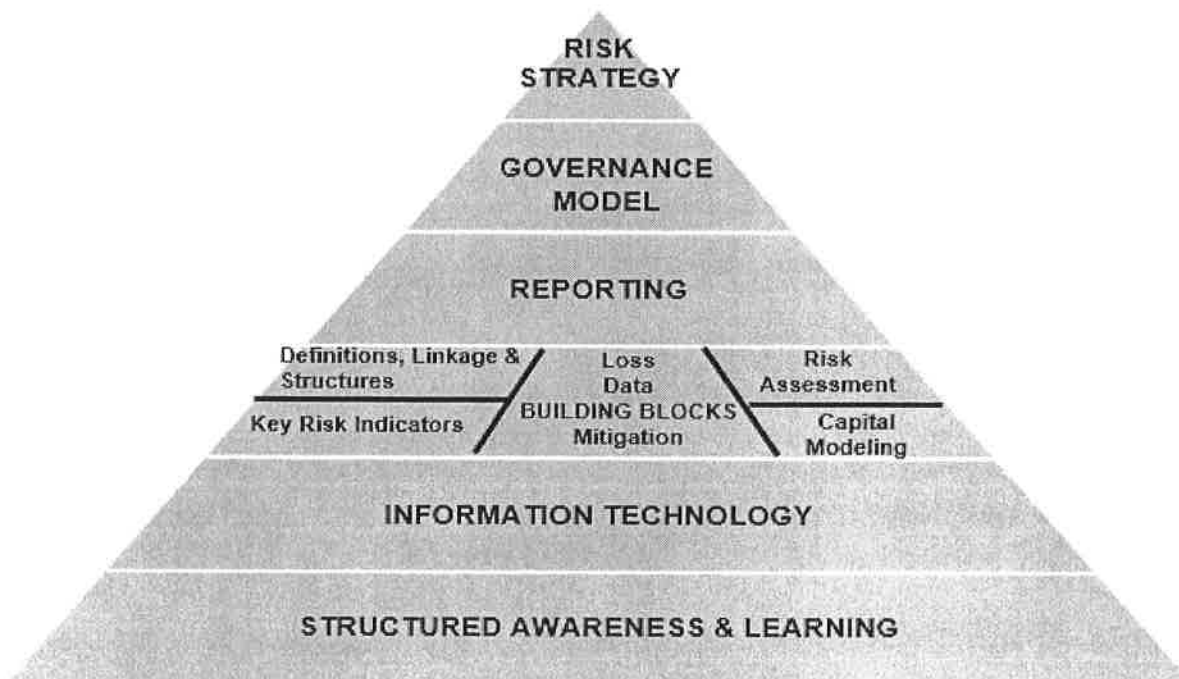
46. OPERATIONAL RISKS (CONTD.)

The table below outlines the definitions of the four (4) causal categories of operational risk:

Casual Categories	Definition
People	Risks resulting from staff defaulting in expected behaviour or the organisation being ineffective/inefficient in the management of its human capital.
Processes	Risks resulting from inadequate/failed internal business processes or transactions process flows.
Systems	Risk resulting from inadequate or defaulting IT/communication systems, or the unavailability or integrity of data.
External events	Risks resulting from events and actions from outside the organisation's immediate control having a negative impact on the business.

46. OPERATIONAL RISKS

The methodology and components adopted in operational risk are summarised in diagram below.



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46. OPERATIONAL RISKS (CONTD.)

Enterprise Risk

Enterprise risk covers the external and internal factors that can impact the Group ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave and can also be due to poor internal decision making and management or due to loss of reputation.

47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) Cash and cash equivalents and other receivables/payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest/profit rates which are comparable with the rates offered on similar instruments in the market and to counterparties with similar credit profiles. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance/takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(xii) and 2.2(xxiii). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(v) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(viii) and 2.2(ix). The carrying amounts and fair values of investments are disclosed in Note 9 to the financial statements.

Description of Overall Fair Value Framework

The Group has an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches in determining the valuations of financial instruments.

The valuation of financial instruments are performed either based on quoted prices in active markets at which an arm's length transaction would be likely to occur or using valuation techniques. Fair value of financial instruments can be assessed using observable inputs or unobservable inputs where one or more significant inputs are unobservable. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

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47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

Description of Overall Fair Value Framework (Contd.)

Valuation adjustment is an integral part of the valuation process. The purpose of the valuation adjustment is to reflect the uncertainty in valuations of products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustments, the Group follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

In addition, the Group continuously enhances its design and validation methodologies and processes used to produce valuations and periodic reviews are performed to ensure the model remains suitable for its intended use.

Description of Overall Definition of the Fair Value Hierarchy

The levels of the Fair Value hierarchy as defined by the accounting standards, are an indication of the observability of prices or valuation input. It can be classified by the following hierarchies/levels:

- **Level 1 : Active Market – quoted price**

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on an exchange.

- **Level 2 : No Active Market – Valuation techniques using observable inputs**

Refers to inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Examples of level 2 financial instruments include corporate and other government bonds and less liquid equities.

- **Level 3 : No Active Market – Valuation techniques using unobservable inputs**

Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. The chosen valuation technique incorporates management's assumptions and data.

Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and highly structured OTC derivatives.

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47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy

Group	Valuation technique using :			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	
2015				
<u>Assets</u>				
AFS financial investments				
Equity securities	2,437,823	-	-	2,437,823
Malaysian government papers	-	1,030,929	-	1,030,929
Singapore government securities	16,814	-	-	16,814
Other debt securities, structured products NCDs and NICDs	-	5,291,936	109,628	5,401,564
Unit and property trust funds	222,958	-	-	222,958
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	375,031	-	375,031
Singapore government securities	24,365	-	-	24,365
Other debt securities, structured products NCDs and NICDs	53,276	9,948,681	81,455	10,083,412
(ii) Held-for-trading (HFT)				
Equity securities	731,904	-	-	731,904
Malaysian government papers	-	89,755	-	89,755
Redeemable loan stock	7	-	-	7
Other debt securities, structured products and NCDs	-	781,210	-	781,210
Unit and property trust funds	13,645	-	-	13,645
Derivative assets	-	2,820	-	2,820
Total assets	3,500,792	17,520,362	191,083	21,212,237
<u>Liabilities</u>				
Derivative liabilities	-	(59,298)	-	(59,298)
Total liabilities	-	(59,298)	-	(59,298)

MAYBANK AGEAS HOLDINGS BERHAD
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47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy (contd.)

Group	Valuation technique using :			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	
2014				
Assets				
AFS financial investments				
Equity securities	3,097,680	-	-	3,097,680
Malaysian government papers	-	669,838	-	669,838
Other debt securities, structured products				
NCDs and NICDs	122,954	5,366,017	-	5,488,971
Unit and property trust funds	186,045	-	-	186,045
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	614,766	-	614,766
Singapore government securities	1,058	-	-	1,058
Other debt securities, structured products				
NCDs and NICDs	8,789	11,034,340	-	11,043,129
(ii) Held-for-trading (HFT)				
Equity securities	670,156	-	-	670,156
Malaysian government papers	-	74,175	-	74,175
Other debt securities, structured products and NCDs	-	933,520	-	933,520
Unit and property trust funds	14,969	-	-	14,969
Derivative assets	-	12,646	-	12,646
Total assets	4,101,651	18,705,302	-	22,806,953
Liabilities				
Derivative liabilities	-	(15,134)	-	(15,134)
Total liabilities	-	(15,134)	-	(15,134)

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47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Company	Valuation technique using :			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	
2015				
<u>Assets</u>				
AFS financial investments				
Equity securities	1,038	-	-	1,038
Unit and property trust funds	102,375	-	-	102,375
Total assets	103,413	-	-	103,413
2014				
<u>Assets</u>				
AFS financial investments				
Equity securities	2,539	-	-	2,539
Unit and property trust funds	100,902	-	-	100,902
Total assets	103,441	-	-	103,441

(b) Transfer between Level 1 and Level 2 in the fair value hierarchy

Assets and liabilities of the Group and the Company are recognised in the financial statements on a recurring basis. The Group and the Company determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfer between Level 1 and Level 2 for the Group and the Company during the financial year ended 31 December 2015.

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47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(c) Reconciliation of level 3 fair value hierarchy

Group

2015

Financial instruments measured at fair value

	AFS RM'000	Designated at FVTPL RM'000	Total RM'000
As at 1 January 2015	-	-	-
Recognised in income statement:			
Realised loss	193	200	393
Fair value gain	-	2,077	2,077
Recognised in other comprehensive income as fair value gain	2,872	-	2,872
Disposal	(1,643)	(1,221)	(2,864)
Transfer into Level 3	108,206	80,399	188,605
As at 31 December 2015	<u>109,628</u>	<u>81,455</u>	<u>191,083</u>
 Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	 <u>193</u>	 <u>791</u>	 <u>984</u>
 Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	 <u>2,872</u>	 <u>-</u>	 <u>2,872</u>

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47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(c) Reconciliation of level 3 fair value hierarchy (Cont'd.)

During the financial year 31 December 2015, the Group transferred certain financial investments and investment properties from Level 2 into Level 3 of the fair value hierarchy. The reason for the transfer is that the instruments have been valued using valuation models incorporating significant unobservable inputs.

(d) Sensitivity of fair value measurements to changes in unobservable input assumptions

The Group's exposure to financial instruments measured with valuation techniques using significant unobservable inputs comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

All investment properties of the Group carried at fair values were classified under Level 3. A reconciliation of the movement in Level 3 is disclosed in Note 4 to the financial statements. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as comparison method and income capitalization approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalization approach considers the capitalization of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

Recent transactions transacted in market resulting in an increase in these input, would result in change of estimated fair value significantly for the investment properties.

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48. SIGNIFICANT EVENTS

(a) Capital injection in Etiqa Insurance Pte. Ltd. ("EIPL")

On 26 March 2015, MAHB acquired 53,000,000 new ordinary shares of SGD1.00 each in its wholly owned subsidiary in Singapore, EIPL, at par for cash resulting in an increase in the issued and paid-up share capital of EIPL from 25,000,000 ordinary shares at par value of SGD1.00 each, amounting to SGD25,000,000 to 78,000,000 ordinary shares at par value of SGD1.00 each, amounting to SGD78,000,000.

(b) Transfer of General Insurance business from EIB's Singapore branch to EIPL

On 1 April 2015, the general Insurance business of EIB's Singapore branch was transferred to EIPL under a Scheme of Transfer under section 49FB of the Insurance Act (Cap 142) at a purchase consideration equivalent to the net book value of the insurance business.

Bank Negara Malaysia ("BNM") approved the scheme of transfer through its letter dated 27 August 2013, while the High Court of Singapore approved the scheme on 27 January 2015.

(c) Disposal of investment in Maybank Q-Income Fund

On 5 August 2015, MAHB disposed of its entire holdings of 80,452,825.61 units in Q-Income fund for a total consideration of RM82 million. Subsequently, the Q-Income fund ceased to be a subsidiary of MAHB.

The disposal had the following effects on the financial position of the Company as at the end of the year:

	2015
	RM'000
Proceeds from disposal of subsidiary	101,941
Cost of Investment in Q-Income fund	(100,636)
Gain on disposal to the Company	<u>1,305</u>

The cash inflow arising on disposal of the subsidiary to the Company resulted in a net cash inflow on disposal of approximate RM1 million, satisfied in cash.

49. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

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50. INSURANCE FUNDS

The Group's statement of financial position and Income Statement have been further analysed by funds.

The Life and Family Takaful insurance businesses offer a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products. The General Insurance and General Takaful insurance businesses offer general insurance/takaful products which include Motor, Fire, Marine, Aviation and Transit ("MAT"), Health & Surgical and Miscellaneous products.

STATEMENTS OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2015

	Total		* Consolidation elimination		Shareholders' and General Funds		Life Fund		General Takaful Fund		Family Takaful Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets:												
Property, plant and equipment	131,571	130,215			60,403	63,109	71,168	67,106	-	-	-	-
Investment properties	714,912	587,930			96,305	51,035	618,607	536,895	-	-	-	-
Prepaid land lease payments	19,268	19,571			9,655	9,808	9,613	9,763	-	-	-	-
Intangible assets	54,776	36,415			35,632	23,452	19,144	12,963	-	-	-	-
Investment in associates	1,238	9,271			1,238	9,271	-	-	-	-	-	-
Investments	24,790,134	24,632,518	(22,116)	(21,219)	4,656,031	4,471,101	9,842,895	10,573,202	1,596,575	1,457,038	8,716,749	8,152,396
Financing receivables	280,274	293,610			28,992	30,633	247,982	255,677	-	-	3,300	7,300
Reinsurance assets	3,560,828	4,401,988			3,300,758	4,108,574	23,081	26,051	200,860	252,566	36,129	14,797
Insurance receivables	529,670	554,908			311,794	332,963	42,665	37,738	85,479	77,460	89,732	107,148
Other receivables	417,193	589,740	(36,684)	(35,989)	185,134	203,677	160,563	221,173	17,372	13,954	90,808	186,935
Derivative assets	2,820	12,646			-	-	2,820	12,646	-	-	-	-
Deferred tax assets	22,000	22,738			17,314	10,946	6,042	4,283	(3,608)	(2,556)	2,252	10,065
Current tax assets	66,766	66,335			75,726	86,335	(33,178)	-	3,883	-	20,335	-
Cash and bank balances	289,773	247,767			107,284	102,072	70,294	46,324	51,037	49,572	61,178	49,799
Total Assets	30,881,223	31,625,653			8,886,246	9,502,576	11,081,696	11,803,821	1,951,598	1,848,034	9,020,483	8,528,440
Equity and liabilities:												
Share capital	252,005	252,005			252,005	252,005	-	-	-	-	-	-
Reserves	4,469,312	4,247,017	(1,116)	(219)	4,470,428	4,247,236	-	-	-	-	-	-
	4,721,317	4,499,022			4,722,433	4,498,241	-	-	-	-	-	-
	-	804			-	804	-	-	-	-	-	-
Non-controlling interest	4,721,317	4,499,826			4,722,433	4,500,045	-	-	-	-	-	-
Liabilities:												
Insurance/takaful contract liabilities	23,058,200	24,209,875	(57,664)	(57,664)	4,204,642	4,976,343	8,594,921	9,515,239	1,622,796	1,577,421	8,693,525	8,198,556
Subordinated obligations	800,000	800,000			800,000	800,000	-	-	-	-	-	-
Expense liabilities	470,531	397,742			470,531	397,742	-	-	-	-	-	-
Derivative liabilities	59,298	15,134			6,031	-	53,267	15,134	-	-	-	-
Deferred tax liabilities	529,420	459,840			496,513	437,150	45,372	33,798	(9,443)	(6,511)	(3,022)	(4,597)
Insurance payables	458,115	489,167			340,829	358,339	36,703	24,508	41,729	63,282	38,854	43,038
Other payables	773,026	701,654	665	665	(2,166,049)	(1,983,818)	2,351,433	2,192,535	296,516	206,833	291,126	285,419
Interest/profit payable on subordinated obligations	11,316	11,334			11,316	11,334	-	-	-	-	-	-
Current tax liabilities	-	41,081			-	5,441	-	22,607	-	7,009	-	6,024
Total Liabilities	26,159,906	27,125,827			4,163,813	5,002,531	11,081,696	11,803,821	1,951,598	1,848,034	9,020,483	8,528,440
Total equity and liabilities	30,881,223	31,625,653			8,886,246	9,502,576	11,081,696	11,803,821	1,951,598	1,848,034	9,020,483	8,528,440

* The consolidation elimination indicated the group inter-fund elimination.

50. INSURANCE FUNDS (CONTD.)

INCOME STATEMENTS/REVENUE ACCOUNTS BY FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Total		Consolidation elimination		Shareholder Funds		General fund		Life Fund		General Takaful Fund		Family Takaful Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating revenue	6,209,226	6,110,059	(952,293)	(439,736)	1,043,352	647,532	1,644,433	1,570,162	1,670,281	1,789,664	1,171,031	1,071,550	1,632,422	1,530,897
Gross earned premiums/contributions	5,201,074	4,841,427	(112)	(147)	-	-	1,608,817	1,399,616	1,213,132	1,286,362	1,112,551	972,895	1,266,686	1,182,701
to reinsurers/retafakal	(1,138,704)	(1,002,905)	-	-	-	-	(981,727)	(821,336)	(25,054)	(26,175)	(97,035)	(110,585)	(34,866)	(44,809)
Net earned premiums/contributions	4,062,370	3,838,522	(574,930)	(490,163)	736,430	709,830	627,090	578,280	1,188,078	1,260,187	1,015,516	862,310	1,231,798	1,137,892
Fee and commission income	72,355	79,561			574,930	490,162	52,102	56,465	3,736	2,574	12,438	15,813	4,079	4,710
Investment income	1,070,744	1,092,370			148,301	147,943	37,180	35,124	457,149	503,304	62,378	57,803	365,736	348,196
Realised gains and losses	195,847	532,868			28,095	84,745	7,880	15,026	92,387	225,714	5,796	6,663	61,689	200,720
Fair value (losses)/gains	(58,926)	(4,556)			45,994	1,419	(5,721)	(212)	(76,949)	(30,094)	729	494	(22,979)	23,835
Other operating (expenses)/income, net	(241,480)	(151,055)			(60,890)	(14,438)	4,303	685	(47,263)	(16,512)	(2,561)	(1,665)	(135,069)	(118,903)
Other revenue	1,038,540	1,549,176			736,430	709,830	95,744	107,088	429,050	664,966	78,780	78,877	273,456	458,558
Gross benefits and claims paid	(4,106,030)	(4,067,619)			-	-	(753,632)	(1,493,671)	(2,065,149)	(1,531,049)	(567,445)	(469,084)	(679,804)	(573,815)
Claims ceded to reinsurers	614,303	1,263,470			-	-	470,961	1,191,750	16,457	19,958	93,867	27,762	33,028	24,000
Gross change in contract/certificate liabilities	967,418	(3,021,099)			-	-	743,754	(2,310,361)	944,951	136,857	(209,481)	(209,551)	(491,526)	(638,044)
Change in contract/certificate liabilities ceded to reinsurers/retafakal	(813,402)	2,356,406			-	-	(791,319)	2,306,916	(3,045)	(1,589)	(40,368)	52,108	21,330	(1,019)
Net benefits and claims	(3,317,711)	(3,468,642)			-	-	(330,246)	(305,366)	(1,126,786)	(1,375,833)	(743,407)	(598,765)	(1,117,272)	(1,188,878)
Management expenses	(630,275)	(605,019)	112	147	(272,871)	(260,385)	(171,215)	(159,360)	(154,119)	(147,848)	(664)	(290)	(31,316)	(37,283)
Reimbursement of Shared Services	9,887	10,289			9,887	10,289	-	-	-	-	-	-	-	-
Change in expense liabilities	(72,789)	(44,000)			(72,789)	(44,000)	-	-	-	-	-	-	-	-
Fee and commission expenses	(449,570)	(414,413)	574,930	490,163	(225,619)	(211,025)	(110,519)	(105,479)	(107,696)	(96,473)	(290,360)	(243,466)	(290,306)	(248,133)
Interest on subordinated obligations	(34,210)	(28,675)			(34,210)	(28,675)	-	-	-	-	-	-	-	-
Tax borne by policyholders/participants	(33)	(70,044)			-	-	-	-	(35,149)	(49,816)	10,105	(10,393)	25,011	(9,635)
Other expenses	(1,176,990)	(1,151,882)			(595,602)	(533,816)	(281,734)	(264,839)	(296,964)	(294,137)	(281,119)	(254,149)	(296,613)	(295,251)
Profit before tax and share of profit of associates	606,209	756,974			140,828	176,014	110,854	115,163	193,398	275,203	69,770	88,273	91,369	112,321
Surplus transfer from:														
- General Fund	-	-			81,348	85,666	(81,348)	(85,666)	-	-	-	-	-	-
- Life Par Fund	-	-			(2,104)	(6,284)	-	-	2,104	6,284	-	-	-	-
- Life Non Par Fund	-	-			195,492	281,487	-	-	(195,492)	(281,487)	-	-	-	-
- General Takaful Fund	-	-			69,770	88,273	-	-	-	-	(69,770)	(68,273)	-	-
- Family Fund	-	-			91,369	112,321	-	-	-	-	-	-	(91,369)	(112,321)
Share of profits of associates	(1,857)	669			(1,857)	669	-	-	-	-	-	-	-	-
Profit after taxation after share of profit of associates	604,352	767,643			574,846	738,146	29,506	29,497	-	-	-	-	-	-
Taxation	(196,821)	(219,803)			(167,315)	(190,306)	(29,506)	(29,497)	-	-	-	-	-	-
Zakat	(8,056)	(5,680)			(8,056)	(5,680)	-	-	-	-	-	-	-	-
Net profit for the year	399,475	542,160			399,475	542,160	-	-	-	-	-	-	-	-