Building a better working world

ETIQA INSURANCE BERHAD
(9557 T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2015

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

CONTENTS

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of general insurance, life insurance and investment-linked businesses.

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

RESULTS

	RM'000
Net profit for the financial year	
- from continuing operations	282,951
- from discontinued operation	1,005
	283,956

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 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 2015 was as follows:

	RM'000
In respect of financial year ended 31 December 2015, final dividend of:	
- 243.20 sen per share, single-tier tax exempt dividend on 152,151,399 ordinary shares	370,032

The final dividend was declared on 2 April 2015 and paid on 25 May 2015.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

MAYBANK GROUP EMPLOYEES' 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 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)
Gary Lee Crist (Vice Chairman)
Dato' Johan Ariffin
Zainal Abidin Jamal
Datuk R. Karunakaran
Loh Lee Soon
Frank J.G Van Kempen
Koh Heng Kong

Pursuant to Article 98 of the Company's Articles of Association, Mr Gary Lee Crist and Mr Loh Lee Soon shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the 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 ESS of the ultimate holding company, MBB.

Since the end of the previous financial year, no director has received or become entitled to receive any 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 41 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.

ETIQA INSURANCE BERHAD
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DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in options over shares and 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 each			
	At	Issued pursuant to		At
	1.1.2015	RSU	DRP*	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

* DRP = Dividend Reinvestment Plan

Other than as disclosed above, none of the 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.

CORPORATE GOVERNANCE

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

(a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Financial Services Act 2013 ("the Act") and Bank Negara Malaysia's ("BNM") Policy Documents, including BNM/RH/GL003-1: *Minimum Standards for Prudential Management of Insurers (Consolidated)* and other directives. It also complies with the tenets of corporate governance by adopting best practices as stipulated under BNM/RH/GL003-2: *Prudential Framework of Corporate Governance for Insurers.*

Apart from its statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. It ensures the implementation of appropriate systems to manage risks and also reviews and approves the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through its various Committees.

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

CORPORATE GOVERNANCE (CONTD.)

(a) Board Responsibilities (Contd.)

The Company has an organisational structure disclosing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are conducted annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that is required for the management of the Company.

The Board met 8 times during the year and the attendance of the directors was as follows:

	Number of Board meetings attended	**%**
Dato' Mohd Salleh Hj Harun (Chairman)	8/8	100
Gary Lee Crist (Vice Chairman)	6/8	75
Dato' Johan Ariffin	7/8	88
Zainal Abidin Jamal	8/8	100
Datuk R. Karunakaran	8/8	100
Loh Lee Soon	8/8	100
Frank J.G Van Kempen	8/8	100
Koh Heng Kong	8/8	100

(b) Management Accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(c) Corporate Independence

Significant related party transactions and balances are disclosed in Note 41 to the financial statements.

CORPORATE GOVERNANCE (CONTD.)

(d) Internal Controls and Audit

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

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned.

The AC is established at the level of the holding company, Maybank Ageas Holdings Berhad ("MAHB"). The composition of the AC and the attendance of the members of the AC are as follows:

	Number of AC meetings attended	%
Loh Lee Soon (Chairman) Independent Non-Executive Director	7/7	100
Gary Lee Crist Non-Independent Non-Executive Director	6/7	86
Koh Heng Kong Independent Non-Executive Director	7/7	100

The AC met 7 times during the year.

CORPORATE GOVERNANCE (CONTD.)

(e) Risk Management

The Board established the Risk Management Committee ("RMC") to support sound corporate governance and processes. The primary objective of the RMC is to oversee senior management's activities in managing key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The RMC is established at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") established by the management.

The risk management framework of the Company comprises three main components i.e. policy-making, monitoring and control and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking unit, risk control unit and internal audit. Risks have been classified into major risk categories, which are made up of financial, insurance operational and enterprise risks.

There is an on-going process in identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which include the setting up of operational risk limits for all core activities.

The composition of the RMC established at MAHB and the attendance of the members of the RMC are as follows:

	Number of RMC meetings attended	%
Datuk R. Karunakaran (Chairman) Independent Non-Executive Director	6/6	100
Gary Lee Crist Non-Independent Non-Executive Director	3/6	50
Koh Heng Kong Independent Non-Executive Director	6/6	100

The RMC met 6 times during the year.

CORPORATE GOVERNANCE (CONTD.)

(f) Nomination and Remuneration Committee

The Company will continue to leverage on the existing Nomination and Remuneration Committee ("NRC") of the Board which had taken effect as a merged committee of the ultimate holding company, MBB on 27 May 2010 as part of its governance structure.

The primary objective of the NRC is to establish a documented, formal and transparent procedure for the appointment of directors and the Chief Executive Officer ("CEO") and key senior officers as well as the assessment of the effectiveness of individual directors, the Board as a whole and the performance of the CEO and key senior officers.

In additon, the NRC is also responsible to provide a formal and transparent procedure in developing remuneration policies for directors, CEO and key senior officers and ensuring compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the NRC and the attendance of its members are as follows:

	Number of NRC meetings attended	%
Dato' Seri Ismail Shahudin (Chairman) (Appointed on 18 November 2015) Independent Non-Executive Director	2/2	100
Dato' Dr Tan Tat Wai Independent Non-Executive Director	11/11	100
Datuk R. Karunakaran Independent Non-Executive Director	10/11	91
Bapak Edwin Gerungan (Appointed on 13 October 2015) Non-Independent Non-Executive Director	3/3	100
Dato' Mohd Salleh bin Hj Harun (Resigned on 17 November 2015) Independent Non-Executive Director	10/10	100
Tan Sri Datuk Hadenan bin A.Jalil (Resigned on 17 November 2015) Independent Non-Executive Director	4/10	40

The NRC met 11 times during the year.

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CORPORATE GOVERNANCE (CONTD.)

(g) Investment Committee

The Investment Committee ("IC") is established at the level of the holding company, MAHB and reports to the Boards of Directors of Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB").

The objectives of the IC include:

(i) to present an opinion on the long-term strategic investment policy including real estate, as a recommendation to the Risk Management Meeting ("RMM")/RMC/Board based on the ALCO's advice;

(ii) to establish tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM");

(iii) to test the policy conducted by the investment manager against the strategic and tactical investment policy;

(iv) to evaluate, review and maintain the Investment Management Guidelines ("IMG"), based on ALCO's advice;

(v) to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries;

(vi) to assess investment performance of proprietary portfolios and unit linked funds; and

(vii) to discuss peer review on investment performance.

The composition of the IC and the attendance of its members are as follows:

	Number of IC meetings attended	%
Datuk Abdul Farid Alias (Chairman) Non-Independent Executive Director	2/4	50
Datuk R. Karunakaran Independent Non-Executive Director	3/4	75
Frank J.G Van Kempen Non-Independent Non-Executive Director	4/4	100

The IC met 4 times during the year.

CORPORATE GOVERNANCE (CONTD.)

(h) Board Oversight Committee for Land Development ("BOC Land")

The BOC Land is a governance body which carries an oversight function on property development activities managed by the Property Development Steering Committee ("PDSC").

To achieve this objective, the BOC Land will need to approve as well as review and monitor property development activities endorsed by the PDSC.

The BOC Land reports to the Board.

The composition of the BOC Land and the attendance of its members are as follows:

	Number of BOC Land meetings attended	%
Dato' Johan Ariffin (Chairman) Independent Non-Executive Director	9/9	100
Datuk R. Karunakaran Investment Committee Member	8/9	89
Loh Lee Soon Non-Executive Board Member	9/9	100

The BOC Land met 9 times during the year.

(i) Board Oversight Committee on Re-organisation of Entities Pursuant to Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA") ("BOC FSA and IFSA")

The BOC FSA and IFSA carries an oversight function of the re-organisation of EIB and ETB under the FSA and IFSA.

In this objective, the BOC FSA and IFSA is responsible in revising the MAHB Group's functional structure to ensure compliance with the FSA and the IFSA in a manner that would promote growth sustainability.

The BOC FSA and IFSA reports to the Boards of Directors of EIB and ETB respectively.

CORPORATE GOVERNANCE (CONTD.)

(i) Board Oversight Committee on Re-organisation of Entities Pursuant to Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA") ("BOC FSA and IFSA") (Contd.)

The composition of the BOC FSA and IFSA and the attendance of its members are as follows:

	Number of BOC FSA and IFSA meetings attended	%
Zainal Abidin Jamal (Chairman) Non-Independent Non-Executive Director	9/9	100
Frank J.G Van Kempen Non-Independent Non-Executive Director	8/9	89
Koh Heng Kong Non-Executive Board Member	9/9	100

The BOC FSA and IFSA met 9 times during the year.

(j) Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

(k) Financial Reporting

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

FINANCIAL HOLDING COMPANY

The financial holding company is Maybank Ageas Holdings Berhad ("MAHB").

ETIQA INSURANCE BERHAD
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IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard MAHB, a company incorporated in Malaysia, as the Company's immediate holdings company and MBB, a company incorporated in Malaysia, as the ultimate holding company.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position and income statement 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 its insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") for Insurers issued by 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 allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(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 Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONTD.)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets 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 Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent liability 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 Company to meet its 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 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 underwritten in the ordinary course of business of the Company.

SIGNIFICANT EVENT

Significant events during the financial year are disclosed in Note 47 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.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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.

LOH LEE SOON

DATUK R. KARUNAKARAN

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Loh Lee Soon and Datuk R. Karunakaran, being two of the directors of Etiqa Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 168 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 Company as at 31 December 2015 and of the results and the cash flows 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.

LOH LEE SOON

DATUK R. KARUNAKARAN

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

I, Zaharudin Daud, being the officer primarily responsible for the financial management of Etiqa Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 168 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 ZAHARUDIN DAUD
at Kuala Lumpur in Wilayah
Persekutuan on 23 February 2016

ZAHARUDIN DAUD

Before me,

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
MALAYSIA

Commissioner for Oaths

No.10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
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Building a better working world

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Independent auditors' report to the member of Etiqa Insurance Berhad (Incorporated in Malaysia)

Report on the financial statement

We have audited the financial statements of Etiqa Insurance Berhad which comprise the statement of financial position as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 168.

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 member of
Etiqa Insurance Berhad (Contd.)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its 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 that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member 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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Assets			
Property, plant and equipment	3	112,897	112,450
Investment properties	4	713,901	586,929
Prepaid land lease payments	5	19,267	19,571
Intangible assets	6	47,671	30,049
Investment in associate	8	152	152
Investments	9	11,694,701	12,619,362
Financing receivables	11	255,718	264,431
Reinsurance assets	12	3,272,164	4,096,708
Insurance receivables	13	324,615	333,480
Other receivables	14	260,428	336,291
Derivative assets	15	2,610	12,646
Current tax assets		30,013	63,691
Cash and bank balances		74,656	71,708
		16,808,793	18,547,468
Assets classified as held for sale	16	787	391,249
Total Assets		16,809,580	18,938,717
Equity and Liabilities:			
Share capital	17	152,151	152,151
Reserves	18	2,543,114	2,626,494
Total Equity		2,695,265	2,778,645
Liabilities			
Insurance contract liabilities	19	12,380,520	14,225,965
Subordinated obligation	20	500,000	500,000
Derivative liabilities	15	59,283	15,134
Deferred tax liabilities, net	21	516,255	464,802
Insurance payables	22	356,098	364,505
Other payables	23	292,032	318,997
Interest payable on subordinated obligation	20	10,127	10,071
		14,114,315	15,899,474
Liabilities directly associated with the assets classified as held for sale	16	-	260,598
Total Liabilities		14,114,315	16,160,072
Total Equity and Liabilities		16,809,580	18,938,717

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

ETIQA INSURANCE BERHAD
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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Operating revenue	24	3,022,093	3,362,391
Gross earned premiums	25(a)	2,502,495	2,523,037
Earned premiums ceded to reinsurers	25(b)	(974,723)	(826,533)
Net earned premiums		1,527,772	1,696,504
Fee and commission income	26	48,040	53,065
Investment income	27	541,925	594,006
Realised gains	28	118,046	294,461
Fair value losses	29	(36,251)	(29,455)
Other operating expenses	30	(43,961)	(22,730)
Other revenue		627,799	889,347
Gross benefits and claims paid	31(a)	(2,770,851)	(2,976,142)
Claims ceded to reinsurers	31(b)	470,429	1,207,098
Gross change in contract liabilities	31(c)	1,796,500	(2,144,733)
Change in contract liabilities ceded to reinsurers	31(d)	(800,234)	2,299,832
Net benefits and claims		(1,304,156)	(1,613,945)
Management expenses	32	(263,577)	(270,664)
Fee and commission expenses	34	(156,763)	(165,876)
Interest on subordinated obligation		(20,650)	(20,650)
Taxation borne by policyholders	35	(24,346)	(47,050)
Other expenses		(465,336)	(504,240)
Profit before tax from continuing operations		386,079	467,666
Taxation	35	(103,128)	(124,213)
Net profit for the year from continuing operations		282,951	343,453
Discontinued operation:	16		
Net profit from discontinued operation		1,005	11,995
Net profit for the year		283,956	355,448
Basic and diluted earnings per share (sen) from:	36		
- Continuing operations		185.97	225.73
- Discontinued operation		0.66	7.88

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

ETIQA INSURANCE BERHAD
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Net profit for the year		283,956	355,448
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to income statement			
Change in value of AFS financial assets, net			
- Fair value changes		89,116	27,200
- Transfer to profit or loss upon disposal	28	(47,623)	(221,107)
- Fair value adjustment for AFS financial assets backing the Participating Fund	19	(13,330)	96,296
Tax effect relating to AFS financial assets	35	(7,160)	24,376
		21,003	(73,235)
Currency translation			
- Currency translation differences		6,445	773
- Transfer to profit or loss upon disposal		(31,201)	-
		(24,756)	773
Other comprehensive loss from continuing operations for the year, net of tax		(3,753)	(72,462)
Other comprehensive income from discontinued operation for the year, net of tax	16	6,449	6,284
Total other comprehensive income/(loss), net of tax		2,696	(66,178)
Total comprehensive income for the year		286,652	289,270
Comprising of:			
- Continuing operations		279,198	270,991
- Discontinued operation		7,454	18,279
		286,652	289,270

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

ETIQA INSURANCE BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	<-----	-----	-----	Non-distributable	-----	----->	Retained Earnings		
	Share Capital RM'000	Share Premium RM'000	Available-for-Sale Reserves RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-Par Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	Total Equity RM'000
At 1 January 2015	152,151	17,728	(1,876)	11,647	32,450	1,404,524	1,162,021	2,566,545	2,778,645
Net profit for the year	-	-	-	-	-	149,404	134,552	283,956	283,956
Other comprehensive income/(losses) for the year	-	-	21,581	-	(18,885)	-	-	-	2,696
Total comprehensive income/(losses) for the year	-	-	21,581	-	(18,885)	149,404	134,552	283,956	286,652
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary[1]	-	-	-	-	-	(7,600)	7,600	-	-
Dividend on ordinary shares (Note 37)	-	-	-	-	-	-	(370,032)	(370,032)	(370,032)
At 31 December 2015	152,151	17,728	19,705	11,647	13,565	1,546,328	934,141	2,480,469	2,695,265
At 1 January 2014	152,151	17,728	71,602	11,647	25,150	1,188,727	1,022,370	2,211,097	2,489,375
Net profit for the year	-	-	-	-	-	215,797	139,651	355,448	355,448
Other comprehensive income/(losses) for the year	-	-	(73,478)	-	7,300	-	-	-	(66,178)
Total comprehensive income/(losses) for the year	-	-	(73,478)	-	7,300	215,797	139,651	355,448	289,270
At 31 December 2014	152,151	17,728	(1,876)	11,647	32,450	1,404,524	1,162,021	2,566,545	2,778,645

[1] In accordance with the Financial Services Act 2013, the unallocated surpluses of non-participating ("Non-Par") funds are only available for distribution to the shareholders upon approval by the Appointed Actuary. The approved transfer from non-Par fund unallocated surplus for the financial year ended 31 December 2015 was RM7,600,000 (2014: Nil) net of tax at 24%.

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:		
- Continuing operations	386,079	467,666
- Discontinued operation	922	13,409
	387,001	481,075
Adjustments for:		
Taxation borne by policyholders	24,346	47,050
Depreciation of property, plant and equipment	10,362	11,588
Amortisation of intangible assets	4,639	13,507
Fair value losses on financial assets at FVTPL	138,111	29,345
Fair value (gains)/losses on investment properties	(101,860)	110
Amortisation of prepaid land lease payments	304	303
Amortisation of premium on investments	11,582	8,118
Loss on write off of property, plant and equipment	-	30
Net gain on foreign exchange	(110,268)	(16,205)
Impairment losses on reinsurance assets	2,234	1,153
Reversal of impairment losses on insurance receivables	(5,826)	(5,837)
Bad debts written off	6,144	1,433
Impairment losses/(reversal of impairment losses) on other receivables	60	(143)
Reversal of impairment losses on financing receivables	(133)	(399)
Non cash items relating to discontinued operations	(1,427)	-
Net gain on disposal of investments	(118,046)	(293,656)
Interest income	(465,808)	(524,933)
Interest expense	20,650	20,650
Net impairment losses on investments	160,248	47,526
Gross dividend income	(59,781)	(55,513)
Rental income	(48,374)	(43,607)
Loss from operations before changes in operating assets and liabilities	(145,842)	(278,405)
Changes in working capital:		
Decrease/(increase) in reinsurance assets	822,310	(2,424,190)
Decrease/(increase) in insurance receivables	8,553	(162,505)
Decrease/(increase) in other receivables	62,770	(124,133)
Decrease in financing receivables	8,846	3,099
Increase in amounts due from related parties	(3,854)	(408)
Decrease in other payables	(8,331)	(28,171)
Carried forward	744,452	(3,014,713)

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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

	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)		
Brought forward	744,452	(3,014,713)
(Decrease)/increase in insurance contract liabilities	(1,858,155)	2,277,651
(Decrease)/increase in insurance payables	(8,407)	167,245
(Increase)/decrease in LAR	(914,750)	344,055
Increase in assets held for sale	1,589	-
Interest income received	482,962	518,403
Dividend income received	62,702	55,704
Rental income received	45,472	44,112
Currency translation reserve	12,316	7,300
Cash (used in)/generated from operations	(1,431,819)	399,757
Tax paid	(51,892)	(135,456)
Net cash (used in)/generated from operating activities	(1,483,711)	264,301
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	8,620,558	7,332,305
Purchase of investments	(6,820,573)	(7,571,833)
Proceeds from sale of property, plant and equipment	-	27
Proceeds from sale of intangible assets	-	2,348
Additions to IPUC	(25,112)	(12,503)
Purchase of property, plant and equipment	(10,792)	(14,187)
Purchase of intangible assets	(22,274)	(22,383)
Proceeds from disposal of branch (Note 47)	135,478	-
Net cash generated from/(used in) investing activities	1,877,285	(286,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(370,032)	-
Interest paid on subordinated obligation	(20,594)	(20,763)
Net cash used in financing activity	(390,626)	(20,763)
Net increase/(decrease) in cash and cash equivalents	2,948	(42,688)
Cash and cash equivalents at beginning of year	71,708	139,548
Attributable to disposal group held for sale (Note 16)	-	(25,152)
Cash and cash equivalents at end of year	74,656	71,708
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	32,954	45,809
Life insurance fund	41,702	25,899
	74,656	71,708

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

1. CORPORATE INFORMATION

The principal activities of the Company include the underwriting of general insurance, life insurance and investment-linked businesses.

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 immediate and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") 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 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.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM as at the reporting date.

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 or after 1 January 2015 which were relevant for the adoption of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (Contd.)

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant acccounting 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 estimates and judgements

The preparation of financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the repprted 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 a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- General insurance contract liabilities — Note 2.2(xv)
- Life insurance contract liabilities — Note 2.2 (xvi)

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 the life insurance liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 43.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(i) Property, 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 assets if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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 Company 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 profit or loss as incurred.

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

Work-in-progress is also not depreciated as this asset is 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, 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ii) 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 financial 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(i) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) 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 Company. 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.

(b) Finance Leases - The Company 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 Company 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 Company's statement of financial position and are measured in accordance with MFRS 116 *Property, Plant and Equipment* and MFRS 140 *Investment Properties.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Leases (Contd.)

(c) Operating Leases - The Company as Lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases 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 added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(d) Operating Leases - The Company 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.

(iv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Intangible Assets (Contd.)

Amortisation is charged to the 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

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

(v) Investment In Associate And Basis of Non-Consolidation

An associate is an entity in which the Company has significant influence and that is neither a subsidiary nor 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 financial statements, the investment in associate is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes 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 Company determines 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 financial assets held-for-trading ("HFT") and financial assets designated as at FVTPL upon initial recognition. 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 as 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) 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 and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses 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 receivables and reinsurance assets are disclosed in Note 2.2(x) and Note 2.2(ix) 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 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 calculated using the effective interest 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Financial Assets (Contd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has 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 marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

(vii) 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 quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instruments 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 Malaysian Retail Bond Portal provided by 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") are determined by reference to BNM's Interest Rate Swap.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vii) 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 convention.

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.

(viii) Impairment

(a) Financial Assets

The Company assesses 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 receivables

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

Insurance 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment (Contd.)

(a) Financial Assets (Contd.)

Insurance receivables (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 Company which could include 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 Company to reduce any differences between loss estimates and actual loss experience.

Impairment losses on insurance receivables are recognised as a reduction against the carrying amount through the use of an allowance account. When an insurance 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) 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.

Financing, loans and receivables

Financing, 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 events 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment (Contd.)

(b) Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company 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 are 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.

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, 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.

(ix) Reinsurance Assets

The Company cedes insurance risk in the normal course of its business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. For both ceded and assumed reinsurance, premiums, claims and benefits paid or payable are presented on a gross basis.

Reinsurance arrangements, entered into by the Company, that meet the classification requirements of insurance contracts as described in Note 2.2(xiv) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ix) Reinsurance Assets (Contd.)

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

At each reporting date, or more frequently, the Company determines whether objective evidence exists that reinsurance assets are impaired. Objective evidence of impairment for reinsurance assets are similar to those noted for insurance receivables as described in Note 2.2(viii)(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 assets are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(x) Insurance Receivables

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

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

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

(xi) Cash and Cash Equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xii) Non-current Assets Held-for-Sale and Discontinued Operation

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to be completed within one year from the date of classification.

A component of the Company is classified as a discontinued operation when it has been disposed of or classified as held for sale. In addition, the component must represent a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale.

A discontinued operation is excluded from the results of continuing operations and presented as a single amount described as net profit for the year from the discontinued operation in the income statement.

(xiii) Equity Instruments

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

(xiv) Product Classification

The Company issues contracts that contain insurance risk or both insurance risk and financial risk.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) Product Classification (Contd.)

An insurance contract is a contract under which an entity has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines whether significant insurance 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 risk accepted is deemed to be significant.

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

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

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF represent the contractual right 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; and

(c) contractually based on the:

- performance of a specified pool of contracts or a specified type of contract; or

- realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or

- the profit or loss of the entity or fund that issues the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) Product Classification (Contd.)

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 Company 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 contract liabilities as at the end of the reporting date.

For financial options and guarantees which are not closely related to the host insurance 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 contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When an insurance contract contains both a financial risk (or deposit) component and a significant insurance 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 premium relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(xv) General Insurance Contract Liabilities

The general insurance contract liabilities of the Company comprise claim liabilities and premium liabilities.

(a) Claim Liabilities

Claim liabilities represent the Company'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 are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) General Insurance Contract Liabilities (Contd.)

(a) Claim Liabilities (Contd.)

Liabilities for outstanding claims are recognised upon notification by policyholders.

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.

(b) Premium Liabilities

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

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 businesses or the best estimate value of the reinsurer's unexpired risk reserves ("URR") at the end of the financial year and a PRAD as prescribed by BNM.

- **Unearned premium reserves ("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; and

  - 1/8th method for all classes of overseas business with a deduction of 20% for commission;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) General Insurance Contract Liabilities (Contd.)

(b) Premium Liabilities (Contd.)

- **Unearned premium reserves ("UPR") (Contd.)**

  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.

- **Unexpired risk reserves ("URR")**

  The URR is the 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 a Signing Actuary.

(xvi) 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) Life Insurance Contract Liabilities (Contd.)

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 comprises the best estimate premium and claim liabilities with appropriate allowance for PRAD.

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

(xvii) Financial Liabilities

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Company becomes 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 Company did not classify any of its financial liabilities at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) Financial Liabilities (Contd.)

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

Subsequent to initial recognition, subordinated obligation is recognised at amortised cost using the effective interest method. The subordinated obligation is classified as a current liability unless the Company has a conditional right to defer settlement of the liability 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.

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.

(xviii) Liability Adequacy Test

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

(xix) Insurance Payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xx) 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 Company.

(xxi) Premium Income

Premiums represent consideration paid for an insurance contract and is accounted for as follows:

(a) General Insurance Business

Premium income is recognised in the financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of debit notes. Premiums 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 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, following the individual risks' inception dates.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

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

(b) Life Insurance Business

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxi) Premium Income (Contd.)

(b) Life Insurance Business (Contd.)

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

Net creation of units, which represents premiums paid by policyholders 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 the policyholders.

(xxii) Benefits and Claims Expenses

(a) General Insurance Business

Claim expenses represent compensation paid or payable on behalf of the insured in relation to 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 date even if they had not been reported to the Company.

(b) Life Insurance Business

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

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

- maturity and other policy 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxii) Benefits and Claims Expenses (Contd.)

(b) Life Insurance Business (Contd.)

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

(xxiii) 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) 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 period in which they are incurred.

(xxiv) Other Revenue Recognition

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

(a) Interest Income

Interest income is recognised using the effective interest method.

(b) Dividend Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxiv) Other Revenue Recognition (Contd.)

(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) 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.

(xxv) Fee and Commission Income

Policyholders 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 the investment-linked business is recognised on an accrual basis based on the NAV of the investment-linked funds.

Commission income is derived from reinsurers in the course of ceding premiums to reinsurers.

(xxvi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Employee Benefits (Contd.)

(b) Defined Contribution Plans

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). The foreign branches make contributions to the respective countries' statutory pension schemes, including the Singapore Central Provident Fund ("CPF") previously and the Tabung Amanah Pekerja of Brunei ("TAP"). Such contributions are recognised as an expense in profit or loss when incurred.

(c) Share-based Compensation

Employees' share option scheme ("ESOS")

The ESOS is an equity-settled share-based compensation plan that allows the directors and employees of the Company 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.

Restricted share units ("RSU")

Senior management personnel of the MBB Group, including personnel of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Employee Benefits (Contd.)

(c) Share-based Compensation (Contd.)

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

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.

(xxvii) Foreign Currencies

(a) Functional and Presentation Currency

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

The financial statements are presented in RM, which is also the Company's functional and presentation currency.

(b) Foreign Currency Transactions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Foreign Currencies (Contd.)

(b) Foreign Currency Transactions (Contd.)

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.

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 Company'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 Company's 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Foreign Currencies (Contd.)

(c) Foreign Operations (Contd.)

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 statement (as a reclassification adjustment) when the gain or loss on disposal is recognised.

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

	31.12.2015	**31.12.2014**
Singapore Dollar	3.04	2.65
Brunei Dollar	3.04	2.65

(xxviii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxviii) Income Tax (Contd.)

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/insurance contract liabilities, in which case the deferred tax is also recognised directly in other comprehensive income/insurance 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.

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 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	**RM'000**
Decrease in amortisation of intangible assets	11,836
Increase in gross change in insurance contract liabilities	(1,831)
Increase in taxation borned by policyholders	(159)
Increase in profit before taxation	9,845
Increase in tax expense	(2,411)
Increase in net profit for the year	7,434
Statement of financial position	
Increase in intangible assets	11,836
Increase in insurance contract liabilities	(1,831)
Increase in deferred tax liabilities	(2,571)
Increase in retained earnings	(7,434)

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 the Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. 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 *Financial Instruments*	1 January 2018
MFRS 10 *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10)	To be announced by MASB
MFRS 10 *Consolidated Financial Statements* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)	1 January 2016
MFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)	1 January 2016
MFRS 12 *Disclosure of Interests in Other Entities* - Investment *Entities: Applying the Consolidation Exception* (Amendments to MFRS 12)	1 January 2016
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101)	1 January 2016
MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116)	1 January 2016
MFRS 127 *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments to MFRS 127)	
MFRS 128 *Investment in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)	1 January 2016
MFRS 128 *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)	1 January 2016
MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

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 other comprehensive income ("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 Company's financial assets.

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 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 Company and lease receivables under MFRS 117 *Leases*. MFRS 9 will change 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 Company 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.

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 re-emphasises 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 present the line items that reconcile any such subtotals with the subtotals or totals currently required in MFRS for such statements.

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)* (Contd.)

(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 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.

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

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 Company does not anticipate any impact to the financial statements upon adoption of the amendments as the Company has not used a revenue-based method to depreciate the non-current assets.

Annual Improvements to MFRS

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

<u>Annual Improvements to MFRSs 2012–2014 Cycle</u>

(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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)

Annual Improvements to MFRS (Contd.)

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

Annual Improvements to MFRS 2012 - 2014 Cycle (Contd.)

(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 whther 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.

Applicablility 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective (Contd.)

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

Annual Improvements to MFRS 2012 - 2014 Cycle (Contd.)

(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 Company does not expect that the amendments on the annual improvements for the above standards will have significant financial implications in future financial statements.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipments RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
2015							
Cost							
At 1 January 2015	118,626	50,654	8,394	35,067	419	1,325	214,485
Additions	-	1,303	1,387	897	282	6,923	10,792
Write off	-	-	(15)	-	(323)	-	(338)
Reclassified from intangible assets (Note 6)	-	-	22	-	-	-	22
Reclassification	-	3	-	116	-	(119)	-
Translation differences	-	44	12	-	-	-	56
At 31 December 2015	118,626	52,004	9,800	36,080	378	8,129	225,017
Accumulated Depreciation and Impairment Losses							
At 1 January 2015	36,115	38,737	5,188	21,576	419	-	102,035
Depreciation charge for the year	2,185	4,727	1,689	1,708	53	-	10,362
Reclassified from intangible assets (Note 6)	-	-	9	-	-	-	9
Write off	-	-	(15)	-	(323)	-	(338)
Translation differences	-	43	9	-	-	-	52
At 31 December 2015	38,300	43,507	6,880	23,284	149	-	112,120
Analysed as:							
- Accumulated depreciation	36,289	43,507	6,880	23,284	149	-	110,109
- Accumulated allowance for impairment losses	2,011	-	-	-	-	-	2,011
	38,300	43,507	6,880	23,284	149	-	112,120
Net Book Value at 31 December 2015	80,326	8,497	2,920	12,796	229	8,129	112,897

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3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipments RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
2014							
Cost							
At 1 January 2014	121,830	50,274	7,211	29,203	812	574	209,904
Additions	-	5,112	2,287	5,464	-	1,324	14,187
Disposals	-	(669)	(12)	-	-	-	(681)
Write off	-	(2,010)	(116)	-	-	-	(2,126)
Reclassified to intangible assets (Note 6)	-	-	-	-	-	(824)	(824)
Reclassification	-	(1,008)	357	400	-	251	-
Attributable to disposal group held for sale (Note 16)	(3,266)	(1,092)	(1,354)	-	(401)	-	(6,113)
Translation differences	62	47	21	-	8	-	138
At 31 December 2014	118,626	50,654	8,394	35,067	419	1,325	214,485
Accumulated Depreciation and Impairment Losses							
At 1 January 2014	36,333	35,638	3,903	20,317	779	-	96,970
Depreciation charge for the year	2,249	5,902	2,145	1,259	33	-	11,588
Disposals	-	(648)	(6)	-	-		(654)
Write off	-	(1,982)	(114)	-	-		(2,096)
Attributable to disposal group held for sale (Note 16)	(2,515)	(225)	(755)	-	(402)		(3,897)
Translation differences	48	52	15	-	9	-	124
At 31 December 2014	36,115	38,737	5,188	21,576	419	-	102,035
Analysed as:							
- Accumulated depreciation	34,104	38,737	5,188	21,576	419	-	100,024
- Accumulated allowance for impairment losses	2,011	-	-	-	-	-	2,011
	36,115	38,737	5,188	21,576	419	-	102,035
Net Book Value at 31 December 2014	82,511	11,917	3,206	13,491	-	1,325	112,450

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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/31 December 2015	3,620	8,010	106,996	118,626
Accumulated Depreciation and Impairment Losses				
At 1 January 2015	55	5,487	30,573	36,115
Depreciation charge for the year	-	45	2,140	2,185
At 31 December 2015	55	5,532	32,713	38,300
Analysed as:				
- Accumulated depreciation	-	3,576	32,713	36,289
- Accumulated allowance for impairment losses	55	1,956	-	2,011
	55	5,532	32,713	38,300
Net Book Value at 31 December 2015	3,565	2,478	74,283	80,326

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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
Attributable to disposal group held for sale (Note 16)	-	-	(3,266)	(3,266)
Translation differences	-	-	62	62
At 31 December 2014	3,620	8,010	106,996	118,626
Accumulated Depreciation and Impairment Losses				
At 1 January 2014	55	5,442	30,836	36,333
Depreciation charge for the year	-	45	2,204	2,249
Attributable to disposal group held for sale (Note 16)	-	-	(2,515)	- (2,515)
Translation differences	-	-	48	48
At 31 December 2014	55	5,487	30,573	36,115
Analysed as:				
- Accumulated depreciation	-	3,531	30,573	34,104
- Accumulated allowance for impairment losses	55	1,956	-	2,011
	55	5,487	30,573	36,115
Net Book Value at 31 December 2014	3,565	2,523	76,423	82,511

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Investment property under construction ("IPUC")	Total
	<------- At valuation	-------->	At cost	
	RM'000	RM'000	RM'000	RM'000
2015				
At 1 January 2014	412,864	153,520	20,545	586,929
Addition	-	-	25,112	25,112
Fair value adjustment	35,000	66,860	-	101,860
At 31 December 2015	447,864	220,380	45,657	713,901
2014				
At 1 January 2014	412,864	153,630	8,042	574,536
Addition	-	-	12,503	12,503
Fair value adjustment	-	(110)	-	(110)
At 31 December 2014	412,864	153,520	20,545	586,929

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2(ii) which has been determined based on valuations that reflect market conditions at the reporting date. 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 reliably determinable.

5. PREPAID LAND LEASE PAYMENTS

	2015 RM'000	2014 RM'000
Cost		
At 1 January/31 December	24,018	24,018
Accumulated amortisation and impairment losses		
At 1 January	4,447	4,144
Amortisation charge for the year	304	303
At 31 December	4,751	4,447
Analysed as:		
- Accumulated amortisation	4,574	4,270
- Accumulated allowance for impairment losses	177	177
	4,751	4,447
Net book value at 31 December	19,267	19,571

6. INTANGIBLE ASSETS

	Computer Software RM'000	Software Development Costs RM'000	Total RM'000
31.12.2015			
Cost			
At 1 January 2015	66,421	-	66,421
Additions	20,642	1,632	22,274
Reclassified to property, plant and equipment (Note 3)	(22)	-	(22)
At 31 December 2015	87,041	1,632	88,673
Accumulated Amortisation			
At 1 January 2015	36,372	-	36,372
Amortisation charge for the year	4,639	-	4,639
Reclassified from property, plant and equipment (Note 3)	(9)	-	(9)
At 31 December 2015	41,002	-	41,002
Net book value at 31 December	46,039	1,632	47,671

6. INTANGIBLE ASSETS (CONTD.)

	Computer Software RM'000	Software Development Costs RM'000	Total RM'000
31.12.2014			
Cost			
At 1 January 2014	48,518	-	48,518
Additions	22,383	-	22,383
Transfer out to related party	(3,847)	-	(3,847)
Reclassified from property, plant and equipment (Note 3)	824	-	824
Attributable to disposal group held for sale (Note 16)	(1,479)	-	(1,479)
Translation differences	22	-	22
At 31 December 2014	66,421	-	66,421
Accumulated Amortisation			
At 1 January 2014	25,399	-	25,399
Amortisation charge for the year	13,507	-	13,507
Transfer out to related party	(1,499)	-	(1,499)
Attributable to disposal group held for sale (Note 16)	(1,056)	-	(1,056)
Translation differences	21	-	21
At 31 December 2014	36,372	-	36,372
Net book value at 31 December 2014	30,049	-	30,049

7. INVESTMENT IN SUBSIDIARY

	2015	2014
Unquoted shares, at cost	RM1	RM1
No. of shares	1	1

7. INVESTMENT IN SUBSIDIARY (CONTD.)

Name of company	Principal activity	Effective interest (%) 2015	2014
Double Care Sdn Bhd ("DCSB") (Incorporated in Malaysia)	Dormant (in member's voluntary winding-up)	100.00	100.00

On 26 October 2009, the Company passed a Special Resolution to commence winding up of DCSB. A tax clearance letter has been obtained from Inland Revenue Board of Malaysia on 23 April 2012. As soon as the affairs of DCSB are totally wound-up, DCSB would call for a final meeting to complete the member's voluntary winding-up process.

8. INVESTMENT IN ASSOCIATE

	2015 RM'000	2014 RM'000
Unquoted shares, at cost	152	152

Name of company	Principal activity	Effective interest (%) 2015	2014
Asian Forum Inc. (Incorporated in Federal Territory of Labuan, Malaysia)	Offshore captive insurance	33.33	33.33

The financial year end of the associate is 31 December. The latest available financial information of the associate for the financial period ended 30 September 2015 were used for the purpose of the above disclosures.

As permitted under MFRS 128 *Investments in Associates and Joint Ventures*, the equity method has not been applied to the investment in associate as the immediate holding company, Maybank Ageas Holdings Berhad ("MAHB"), produces financial statements available for public use that comply with MFRSs.

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9. INVESTMENTS

	2015 RM'000	2014 RM'000
Malaysian government papers	454,907	392,292
Debt securities	6,201,112	8,072,715
Equity securities	1,905,084	2,081,216
Unit and property trust funds	63,627	69,781
Redeemable loan stock	7	-
Structured products (Note 10)	1,047,258	898,172
Negotiable certificates of deposit ("NCD")	213,473	210,703
Deposits with financial institutions	1,809,233	894,483
	11,694,701	12,619,362

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

	2015 RM'000	2014 RM'000
Available-for-sale ("AFS")	2,494,419	2,847,883
Fair value through profit and loss ("FVTPL")		
- designated upon initial recognition	5,795,087	7,209,993
- held for trading ("HFT")	1,595,962	1,667,003
Loans and receivables ("LAR")	1,809,233	894,483
	11,694,701	12,619,362

The following investments mature after 12 months:

	2015 RM'000	2014 RM'000
AFS	1,152,886	1,305,553
FVTPL		
- designated upon initial recognition	5,535,261	6,501,721
- HFT	268,545	832,596
	6,956,692	8,639,870

9. INVESTMENTS (CONTD.)

	2015 RM'000	2014 RM'000
(a) AFS		
Fair value		
Malaysian government papers	239,014	95,915
Unquoted debt securities in Malaysia	975,879	1,220,436
Equity securities:		
Quoted equity securities in Malaysia	1,120,686	1,304,140
Quoted outside Malaysia	8,617	10,904
Quoted unit and property trust funds in Malaysia	50,056	54,819
Structured products (Note 10)	47,916	59,418
	2,442,168	2,745,632
Cost		
Unquoted equity securities in Malaysia		
Cost	55,032	105,032
Less: Allowance for impairment losses	(2,781)	(2,781)
	52,251	102,251
Total AFS financial assets	2,494,419	2,847,883

	2015 RM'000	2014 RM'000
(b) FVTPL		
(i) Designated upon initial recognition		
Fair value		
Malaysian government papers	130,330	231,195
Debt securities:		
Unquoted in Malaysia	4,854,392	6,349,461
Unquoted outside Malaysia	183,009	149,389
Structured products (Note 10)	413,883	269,245
Negotiable certificates of deposit	213,473	210,703
	5,795,087	7,209,993

9. INVESTMENTS (CONTD.)

	2015 RM'000	2014 RM'000
(b) FVTPL (Contd.)		
(ii) HFT		
Fair value		
Malaysian government papers	85,563	65,182
Unquoted debt securities in Malaysia	187,832	353,429
Quoted equity securities in Malaysia	723,530	663,921
Unit and property trust funds:		
Quoted in Malaysia	4,842	1,434
Quoted outside Malaysia	8,729	13,528
Redeemable loan stock	7	-
Structured products (Note 10)	585,459	569,509
	1,595,962	1,667,003
Total FVTPL financial assets	7,391,049	8,876,996

	2015 RM'000	2014 RM'000
(c) LAR		
Fixed and call deposits with:		
Licensed banks	1,464,162	893,197
Other financial institutions	345,071	1,286
Total LAR financial assets	1,809,233	894,483
	11,694,701	12,619,362

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

Included in LAR are assets amounting to RM35,000,000 (2014: RM35,000,000) which have been pledged to obtain a banking facility from MBB.

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 46(a) to the financial statements.

10. STRUCTURED PRODUCTS

Structured products of the Company 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	626,515	599,881	470,700	452,734
Credit-linked notes	407,956	400,720	410,780	388,230
Index linked notes	33,663	2,414	33,663	3,972
Bifurcated derivative relating to structured deposits of Shareholder's/General Fund *		(3,673)		(6,182)
		999,342		838,754
AFS financial assets				
Structured deposits *:				
Host contract	45,000	47,916	55,000	59,418
		47,916		59,418
Total structured products		1,047,258		898,172

* 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 Company 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.

11. FINANCING RECEIVABLES

	2015 RM'000	2014 RM'000
Policy/automatic premium loans	220,456	227,357
Staff loans:		
Secured	34,639	36,262
Unsecured	-	12
Non staff loans	11,869	11,518
	266,964	275,149
Interest in suspense	(8,994)	(8,333)
Allowance for impairment losses (Note 44 (i))	(2,252)	(2,385)
	255,718	264,431
Receivable after 12 months	30,745	35,959

The carrying amount approximates fair value as these loans are issued at interest rates that are comparable to instruments in the market with similar characteristics and risk profiles.

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

	2015	2014
Policy/automatic premium loans	8.00%	8.00%
Staff loans	3.99%	3.08%
Non-staff loans	6.99%	6.77%

12. REINSURANCE ASSETS

	2015 RM'000	2014 RM'000
Reinsurers' share of:		
- Life insurance contract liabilities (Note 19)	22,139	25,866
- General insurance contract liabilities (Note 19)	3,253,448	4,072,031
	3,275,587	4,097,897
Allowance for impairment losses (Note 44 (i))	(3,423)	(1,189)
	3,272,164	4,096,708

13. INSURANCE RECEIVABLES

	2015 RM'000	2014 RM'000
Due premiums including agents/brokers and co-insurers balances	208,142	268,286
Due from reinsurers and cedants	135,797	90,339
	343,939	358,625
Allowance for impairment losses (Note 44 (i))	(19,324)	(25,145)
	324,615	333,480

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

Included in due premiums including agents/brokers and co-insurers balances are balances due from related parties amounting to RM9,704,211 (2014: RM7,064,347). The amounts receivable are subject to settlement terms stipulated in the insurance contracts.

14. OTHER RECEIVABLES

	2015 RM'000	2014 RM'000
Amount due from stockbrokers	47,134	123,587
Share of net assets in Motor Insurance Pool ("MMIP")	72,857	62,881
Sundry receivables, deposits and prepayments	12,823	8,702
Allowance for impairment losses (Note 44 (i))	(158)	(227)
	12,665	8,475
Income due and accrued	120,814	137,994
Allowance for impairment losses (Note 44 (i))	(245)	(179)
	120,569	137,815
Amount due from related companies* :		
- Ultimate holding company	427	-
- Other related companies	6,776	3,533
	7,203	3,533
	260,428	336,291

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

Included in share of net assets in MMIP are cash call amounting to RM34,359,401 (2014: RM27,347,825)

Included in sundry receivables, deposits and prepayments and income due and accrued are balances due from related parties amounting to RM97,191 and RM6,422,659 (2014: RM1,983,482 and RM7,149,046) respectively.

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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 (A)	Liability RM'000 (B)	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)
Hedging derivatives:						
Forward foreign exchange contract	62,607	-	8,835	10,091	-	696
Cross currency swap	138,251	-	50,448	138,251	-	14,438
		-	59,283		-	15,134
Non-hedging derivatives:						
Non-current						
Equity options	366,077	2,610	-	366,077	12,646	-
		2,610	-		12,646	-
Total derivatives		2,610	59,283		12,646	15,134

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 46(a) to the financial statements.

15. DERIVATIVES (CONTD.)

<u>For hedging derivatives:</u>

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 investments. The Company 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 rate, foreign currency rate or equity indices. The Company uses swap contracts to hedge the principal amounts invested in Structured Notes denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

<u>For non-hedging derivatives:</u>

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 Company purchases options that provide the Company with the opportunity to purchase (call options) the underlying asset at an agreed-upon value on the expiration of the options. The Company is exposed to credit risk on purchased options only to the extent of their carrying amounts, which is their fair value. The Company uses options in the product structuring for investment linked products as a strategy to enhance the returns of the products.

16. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE

On 1 April 2015, the Singapore Branch's general insurance business was transferred to its related party, Etiqa Insurance Pte. Ltd. ("EIPL") under the Scheme of Transfer ("SOT") as approved by the High Court of Singapore on 27 January 2015, at a purchase consideration of RM135,478,316.

On 27 November 2015, the Company surrendered the licence relating to its Singapore branch.

On 18 December 2015, the Company signed an Option to Purchase Agreement for its Singapore property and a deposit was received from the purchaser. The sale of the property is expected to be completed after the reporting date by 29 February 2016, subject to the fulfilment of the conditions stipulated in the Agreement.

Statement of financial position disclosures

The major classes of assets and liabilities of the general insurance business classified as held for sale as at 31 December 2015 and 31 December 2014 are as follows:

	Note	2015 RM'000	2014 RM'000
Assets:			
Property, plant and equipment	3	787	2,216
Intangible assets	6	-	423
Investments		-	269,146
Reinsurance assets	19	-	37,732
- Reinsurers' share of claim liabilities		-	16,507
- Reinsurers' share of premium liabilities		-	21,225
Insurance receivables		-	31,893
Other receivables		-	24,687
Cash and bank balances		-	25,152
Assets classified as held for sale		787	391,249
Liabilities:			
Insurance contract liabilities	19	-	229,498
- Claim liabilities		-	138,924
- Premium liabilities		-	90,574
Insurance payables		-	5,455
Other payables		-	24,260
Current tax liabilities		-	1,385
Liabilities directly associated with assets classified as held for sale		-	260,598

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

Statement of financial position disclosures (Contd.)

	2015 RM'000	2014 RM'000
Net assets directly associated with assets classified as held for sale	787	130,651

No impairment losses were recognised in respect of the general insurance business relating to the Singapore branch of the Company.

	2015 RM'000	2014 RM'000
Fair value measurement:		
Assets		
Assets measured at fair value	-	269,146
Assets measured at cost/amortised cost	787	122,103
	787	391,249
Liabilities		
Liabilities measured at cost/amortised cost	-	260,598

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

Income statement disclosures

The results of the general insurance business of the Singapore Branch for the year ended 31 December are as follows:

	Note	2015 RM'000	2014 RM'000
Gross earned premiums			
Gross premium		37,730	131,226
Gross change in premium liabilities		(6,368)	(26,785)
Gross earned premiums	25(a)	31,362	104,441
Earned premiums ceded to reinsurers			
Premiums ceded to reinsurers		(9,206)	(34,487)
Change in premiums ceded to reinsurers		976	13,542
Earned premiums ceded to reinsurers	25(b)	(8,230)	(20,945)
Net earned premiums		23,132	83,496
Fee and commission income	26	2,353	5,972
Investment income	27	1,598	5,487
Realised gains/(losses)	28	93	(835)
Other operating income/(expenses), net	30	184	(577)
Other revenue		4,228	10,047
Gross benefits and claims paid	31(a)	(11,078)	(48,563)
Claims ceded to reinsurers	31(b)	1,224	4,611
Gross change in contract liabilities	31(c)	11,511	2,502
Change in contract liabilities ceded to reinsurers	31(d)	(16,507)	5,302
Net benefits and claims		(14,850)	(36,148)
Management expenses	32	(5,704)	(21,944)
Fee and commission expenses	34	(5,884)	(22,042)
Other expenses		(11,588)	(43,986)
Profit before taxation		922	13,409
Taxation	35	83	(1,414)
Net profit for the year		1,005	11,995

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

Other comprehensive income disclosures

	2015 RM'000	2014 RM'000
Items that may be subsequently reclassified to income statement		
Change in value of AFS financial assets, net		
- Fair value changes	671	(1,049)
- Transfer to profit or loss upon disposal	(93)	806
Tax effect relating to AFS financial assets	-	-
	578	(243)
Currency translation differences	5,871	6,527
Other comprehensive income from disposal group for the year, net of tax	6,449	6,284
Total comprehensive income from disposal group for the year, net of tax	7,454	18,279

Statement of cash flows disclosures

The cash flows attributable to the general insurance business of the Singapore Branch are as follows:

	2015 RM'000	2014 RM'000
Cash flows from:		
Operating activities	23,038	58,672
Investing activities	(36,489)	(49,006)
Net cash inflows/(outflows)	(13,451)	9,666

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 1 January and 31 December	500,000	500,000	500,000	500,000
Issued and Paid-up:				
Ordinary shares of RM1.00 each				
At 1 January and 31 December	152,151	152,151	152,151	152,151

18. RESERVES

	Note	2015 RM'000	2014 RM'000
Non-distributable:			
Share premium	(i)	17,728	17,728
AFS reserve	(ii)	19,705	(1,876)
Other reserves:			
Revaluation reserve	(iii)	11,647	11,647
Currency translation reserve	(iv)	13,565	32,450
		25,212	44,097
Retained earnings:			
Distributable retained profits	(v)	934,141	1,162,021
Non-distributable non-par fund surplus	(vi)	1,546,328	1,404,524
		2,480,469	2,566,545
Total reserves		2,543,114	2,626,494

18. RESERVES (CONTD.)

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

(ii) The AFS reserve arose from the changes in the fair value of the investment assets of the shareholder and non-Par fund.

(iii) 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 Company.

(iv) The revaluation reserve 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.

(v) The entire distributable retained profits may be distributed to the shareholder under the single-tier system.

(vi) Non-distributable non-par surplus represent the unallocated surplus from the non-Par fund. In accordance with Financial Services Act 2013, the unallocated surplus of non-Par fund is only available for distribution to the shareholder 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.

19. INSURANCE CONTRACT LIABILITIES

	<---- 2015	----	---->	<---- 2014	----	---->
	Gross RM'000	Reinsurance RM'000 (Note 12)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 12)	Net RM'000
Life insurance (Note A)	8,440,874	(22,139)	8,418,735	9,479,120	(25,866)	9,453,254
General insurance (Note B)	3,939,646	(3,253,448)	686,198	4,746,845	(4,072,031)	674,814
	12,380,520	(3,275,587)	9,104,933	14,225,965	(4,097,897)	10,128,068

(A) Life Insurance

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

(i) Life insurance contract liabilities

	<---- 2015	----	---->	<---- 2014	----	---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities	63,286	(2,639)	60,647	49,932	(3,330)	46,602
Actuarial liabilities	5,926,062	(19,500)	5,906,562	6,705,495	(22,536)	6,682,959
Participating fund unallocated surplus	653,059	-	653,059	797,736	-	797,736
Participating fund AFS reserve	74,343	-	74,343	61,633	-	61,633
NAV attributable to unitholders	1,724,124	-	1,724,124	1,864,324	-	1,864,324
	8,440,874	(22,139)	8,418,735	9,479,120	(25,866)	9,453,254

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities

	Claims liabilities RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Total liabilities RM'000
2015								
As at 1 January 2015	49,932	6,705,495	797,736	61,633	1,864,324	9,479,120	(25,866)	9,453,254
Net earned premiums	-	-	350,023	-	255,363	605,386	-	605,386
Other revenue	-	-	198,994	-	57,974	256,968	-	256,968
Net benefits and claims	13,354	-	(782,049)	-	(450,460)	(1,219,155)	690	(1,218,465)
Other expenses	-	-	(53,377)	-	(20)	(53,397)	-	(53,397)
Change in reserve:								
- Discounting	-	(26,266)	(4,322)	-	-	(30,588)	(41)	(30,629)
- Assumptions	-	215,348	(188,374)	-	-	26,974	(16)	26,958
- Policy movements	-	(968,515)	354,784	-	-	(613,731)	3,094	(610,637)
Changes in AFS reserve	-	-	-	13,330	-	13,330	-	13,330
Taxation	-	-	(9,814)	(620)	(3,057)	(13,491)	-	(13,491)
Transfer to shareholders' fund	-	-	(10,542)	-	-	(10,542)	-	(10,542)
As at 31 December 2015	63,286	5,926,062	653,059	74,343	1,724,124	8,440,874	(22,139)	8,418,735

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities (Contd.)

	Claims liabilities RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Total liabilities RM'000
2014								
As at 1 January 2014	41,891	7,290,787	605,418	151,474	1,647,520	9,737,090	(27,649)	9,709,441
Net earned premiums	-	-	320,147	-	439,838	759,985	-	759,985
Other revenue	-	-	360,751	-	48,595	409,346	-	409,346
Net benefits and claims	8,041	-	(866,237)	-	(267,468)	(1,125,664)	(1,731)	(1,127,395)
Other expenses	-	-	(55,075)	-	(71)	(55,146)	-	(55,146)
Change in reserve:								
- Discounting	-	8,168	(1,846)	-	-	6,322	(26)	6,296
- Assumptions	-	(16,518)	18,122	-	-	1,604	-	1,604
- Policy movements	-	(576,942)	450,614	-	-	(126,328)	3,540	(122,788)
Changes in AFS reserve	-	-	-	(96,296)	-	(96,296)	-	(96,296)
Taxation	-	-	(24,766)	6,455	(4,090)	(22,401)	-	(22,401)
Transfer to shareholders' fund	-	-	(9,392)	-	-	(9,392)	-	(9,392)
As at 31 December 2014	49,932	6,705,495	797,736	61,633	1,864,324	9,479,120	(25,866)	9,453,254

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance

	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000	2014 Gross RM'000	2014 Reinsurance RM'000	2014 Net RM'000
Claims liabilities (i)	3,351,905	(2,896,268)	455,637	4,097,449	(3,692,775)	404,674
Premium liabilities (ii)	587,741	(357,180)	230,561	649,396	(379,256)	270,140
	3,939,646	(3,253,448)	686,198	4,746,845	(4,072,031)	674,814

(i) Claims liabilities

	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000	2014 Gross RM'000	2014 Reinsurance RM'000	2014 Net RM'000
As at 1 January 2015/2014	4,097,449	(3,692,775)	404,674	1,926,013	(1,402,365)	523,648
Claims incurred in the current accident year	471,552	(216,332)	255,220	3,428,563	(3,107,448)	321,115
Other movements in claims incurred in prior accident years	85,419	(67,692)	17,727	(237,917)	225,718	(12,199)
Claims paid during the year (Note 31)	(686,003)	453,972	(232,031)	(1,493,671)	1,191,750	(301,921)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,857	-	1,857	(155)	205	50
Movements in PRAD	(618,369)	626,559	8,190	613,540	(617,142)	(3,602)
Attributable to disposal group held for sale (Note 16)	-	-	-	(138,924)	16,507	(122,417)
As at 31 December 2015/2014	3,351,905	(2,896,268)	455,637	4,097,449	(3,692,775)	404,674

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance (Contd.)

(ii) Premium liabilities

	<---- 2015		---->	<---- 2014		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January 2015/2014	649,396	(379,256)	270,140	604,550	(281,425)	323,125
Premiums written in the year (Note 25)	1,410,477	(927,664)	482,813	1,535,038	(940,396)	594,642
Premiums earned during the year (Note 25)	(1,472,132)	949,740	(522,392)	(1,399,618)	821,340	(578,278)
Attributable to disposal group held for sale (Note 16)	-	-	-	(90,574)	21,225	(69,349)
As at 31 December 2015/2014	587,741	(357,180)	230,561	649,396	(379,256)	270,140

20. SUBORDINATED OBLIGATION

	2015 RM'000	2014 RM'000
RM500 million Tier 2 Capital Subordinated Bond	500,000	500,000
Interest payable	10,127	10,071

Issue date	:	5 July 2013
Tenure	:	10 years from issue date on a 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		The Company may, subject to the prior consent of 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.

The fair value of the subordinated obligations is RM497,385,000 (31.12.2014: RM497,535,000), 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.

21. DEFERRED TAX LIABILITIES, NET

	2015 RM'000	2014 RM'000
At 1 January 2015/2014	(464,802)	(435,198)
Recognised in:		
Income statement (Note 35)	(43,717)	(60,465)
- Taxation borne by policyholders	4,903	4,112
- Tax expense	(48,620)	(64,577)
Other comprehensive income (Note 35)	(7,160)	24,376
Insurance contract liabilities (Note 19)	(620)	6,455
Translation differences	44	30
At 31 December 2015/2014	(516,255)	(464,802)

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 net deferred tax shown in the statement of financial position have been determined after appropriate offsetting.

	2015 RM'000	2014 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	21,380	14,368
Deferred tax liabilities	(537,635)	(479,170)
	(516,255)	(464,802)

21. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

	Impairment on receivables RM'000	Amortisation premiums RM'000	General insurance liabilities RM'000	Impairment on investments RM'000	Others RM'000	Total RM'000
2015						
At 1 January 2015	5,751	-	588	7,480	549	14,368
Recognised in:						
Income statement	218	1,129	(175)	6,390	(607)	6,955
- Taxation borne by policyholders	(43)	(646)	-	2,444	-	1,755
- Tax expense	261	1,775	(175)	3,946	(607)	5,200
Translation differences	(12)	-	-	-	69	57
At 31 December 2015	5,957	1,129	413	13,870	11	21,380
2014						
At 1 January 2014	6,649	-	1,008	3,890	760	12,307
Recognised in:						
Income statement	(750)	-	(420)	3,590	(389)	2,031
- Taxation borne by policyholders	(5)	-	-	2,087	-	2,082
- Tax expense	(745)	-	(420)	1,503	(389)	(51)
Translation differences	(148)	-	-	-	178	30
At 31 December 2014	5,751	-	588	7,480	549	14,368

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21. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	AFS reserves RM'000	Non-Participating fund unallocated surplus RM'000	Unit linked RM'000	Unrealised currency exchange RM'000	Total RM'000
2015								
At 1 January 2015	(683)	(1,792)	(26,568)	(4,197)	(440,815)	(5,115)	-	(479,170)
Recognised in:								
Income statement	(3,714)	1,792	(2,941)	-	(43,343)	168	(2,634)	(50,672)
- Taxation borne by policyholders	(741)	(99)	6,672	-	-	168	(2,852)	3,148
- Tax expense	(2,973)	1,891	(9,613)	-	(43,343)	-	218	(53,820)
Other comprehensive income	-	-	-	(7,160)	-	-	-	(7,160)
Insurance contract liabilities	-	-	-	(620)	-	-	-	(620)
Translation differences	(13)	-	-	-	-	-	-	(13)
At 31 December 2015	(4,410)	-	(29,509)	(11,977)	(484,158)	(4,947)	(2,634)	(537,635)
2014								
At 1 January 2014	(760)	(3,422)	(24,975)	(35,028)	(375,164)	(8,156)	-	(447,505)
Recognised in:								
Income statement	77	1,630	(1,593)	-	(65,651)	3,041	-	(62,496)
- Taxation borne by policyholders	(77)	512	(1,446)	-	-	3,041	-	2,030
- Tax expense	154	1,118	(147)	-	(65,651)	-	-	(64,526)
Other comprehensive income	-	-	-	24,376	-	-	-	24,376
Insurance contract liabilities	-	-	-	6,455	-	-	-	6,455
At 31 December 2014	(683)	(1,792)	(26,568)	(4,197)	(440,815)	(5,115)	-	(479,170)

22. INSURANCE PAYABLES

	2015 RM'000	2014 RM'000
Due to agents and intermediaries	17,169	32,074
Due to reinsurers and cedants	338,929	332,431
	356,098	364,505

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

Included in due to agents and intermediaries are balances due to related parties amounting to RM87,159 (2014: Nil).

23. OTHER PAYABLES

	2015 RM'000	2014 RM'000
Premium deposits	57,255	64,190
Dividend payable to policyholders	73,316	71,776
Amount due to related companies* :		
- Ultimate holding company	-	607
- Holding company	1,146	635
- Other related companies	2	84
- Subsidiary	1,644	1,650
Amount due to stockbrokers	5,245	30,625
Claims pending disbursement	12,037	15,163
Sundry payables and accrued liabilities	141,387	134,267
	292,032	318,997

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

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

Included in sundry payables and accrued liabilities are balances due to related parties amounting to RM2,532,888 (2014: RM2,161,564).

24. OPERATING REVENUE

	<---- 2015		---->	<---- 2014		---->
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Gross premiums (Note 25)	2,440,840	37,730	2,478,570	2,631,672	131,226	2,762,898
Investment income (Note 27)	541,925	1,598	543,523	594,006	5,487	599,493
	2,982,765	39,328	3,022,093	3,225,678	136,713	3,362,391

25. NET EARNED PREMIUMS

	<---- 2015		---->	<---- 2014		---->
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
(a) Gross Earned Premiums						
Life insurance contracts	1,030,363	-	1,030,363	1,227,860	-	1,227,860
General insurance contracts	1,410,477	37,730	1,448,207	1,403,812	131,226	1,535,038
Gross premiums (Note 24)	2,440,840	37,730	2,478,570	2,631,672	131,226	2,762,898
Gross change in premium liabilities	61,655	(6,368)	55,287	(108,635)	(26,785)	(135,420)
Gross earned premiums	2,502,495	31,362	2,533,857	2,523,037	104,441	2,627,478

25. NET EARNED PREMIUMS (CONTD.)

	<---- 2015		---->	<---- 2014		---->
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
(b) Earned Premiums ceded to reinsurers						
Life insurance contracts	(24,983)	-	(24,983)	(26,138)	-	(26,138)
General insurance contracts	(927,664)	(9,206)	(936,870)	(905,909)	(34,487)	(940,396)
Premiums ceded to reinsurers	(952,647)	(9,206)	(961,853)	(932,047)	(34,487)	(966,534)
Change in premium liabilities ceded to reinsurers	(22,076)	976	(21,100)	105,514	13,542	119,056
Earned premiums ceded to reinsurers	(974,723)	(8,230)	(982,953)	(826,533)	(20,945)	(847,478)
Net earned premiums	1,527,772	23,132	1,550,904	1,696,504	83,496	1,780,000

26. FEE AND COMMISSION INCOME

	<---- 2015		---->	<---- 2014		---->
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Reinsurance commission income	48,040	2,353	50,393	53,065	5,972	59,037

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27. INVESTMENT INCOME

	<---- 2015	----	---->	<---- 2014	----	---->
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
AFS Financial Assets						
Interest income	63,721	1,318	65,039	67,462	4,088	71,550
Dividend income						
- Quoted in Malaysia	34,947	-	34,947	31,158	-	31,158
- Quoted outside Malaysia	866	75	941	570	696	1,266
- Unquoted in Malaysia	3,068	-	3,068	4,423	-	4,423
- Unit and property trusts	1,925	38	1,963	2,093	164	2,257
Financial assets at FVTPL						
(i) Designated upon initial recognition						
Interest income	307,146	-	307,146	365,151	-	365,151
(ii) HFT						
Interest income	29,342	-	29,342	34,150	-	34,150
Dividend income						
- Quoted in Malaysia	18,865	-	18,865	16,372	-	16,372
- Unit and property trusts	110	-	110	37	-	37
LAR						
Interest income	46,272	154	46,426	33,767	945	34,712
Interest income from financing receivables and other loans	19,327	-	19,327	19,370	-	19,370
Rental income	48,374	164	48,538	43,607	-	43,607
Rental expense	(18,067)	-	(18,067)	(14,534)	-	(14,534)
(Amortisation of premiums)/accretion of discounts	(11,582)	(44)	(11,626)	(8,199)	81	(8,118)
Investment related expenses	(2,389)	(107)	(2,496)	(1,421)	(487)	(1,908)
Total Investment Income	541,925	1,598	543,523	594,006	5,487	599,493

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28. REALISED GAINS

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Realised (loss)/gain on						
- disposal of property, plant and equipment	-	-	-	(1)	1	-
- write off of property, plant and equipment	-	-	-	-	(30)	(30)
AFS financial assets						
Realised gains/(losses):						
- Malaysian government papers	1,989	-	1,989	372	-	372
- Singapore government securities	(69)	55	(14)	-	(255)	(255)
- Equity securities	49,990	162	50,152	185,545	(658)	184,887
- Debt securities	5,463	(124)	5,339	3,237	(73)	3,164
- Irredeemable loan stocks	-	-	-	227	-	227
- Unit and property trust funds	-	-	-	31,211	180	31,391
- Other investments	(9,750)	-	(9,750)	515	-	515
	47,623	93	47,716	221,107	(806)	220,301
Financial assets at FVTPL						
(i) Designated upon initial recognition						
Realised gains:						
- Malaysian government papers	5,109	-	5,109	13,871	-	13,871
- Debt securities	55,427	-	55,427	13,525	-	13,525
- Other investments	-	-	-	410	-	410
	60,536	-	60,536	27,806	-	27,806

28. REALISED GAINS (CONTD.)

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Financial assets at FVTPL (Contd.)						
(ii) HFT						
Realised gains/(losses):						
- Malaysian government papers	910	-	910	906	-	906
- Equity securities	26,148	-	26,148	42,859	-	42,859
- Debt securities	(4,662)	-	(4,662)	444	-	444
- Irredeemable loan stocks	-	-	-	(4)	-	(4)
- Unit and property trust funds	1,656	-	1,656	1,292	-	1,292
- Other investments	53	-	53	-	-	-
- Derivatives	(14,218)	-	(14,218)	52	-	52
	9,887	-	9,887	45,549	-	45,549
Total Realised Gains/(Losses)	118,046	93	118,139	294,461	(835)	293,626

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29. FAIR VALUE LOSSES

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Investment properties	101,860	-	101,860	(110)	-	(110)
Financial assets at FVTPL						
(i) Designated upon initial recognition	(87,316)	-	(87,316)	22,512	-	22,512
(ii) HFT	(50,795)	-	(50,795)	(51,857)	-	(51,857)
Total fair value losses on financial assets at FVTPL	(138,111)	-	(138,111)	(29,345)	-	(29,345)
Total Fair Value Losses	(36,251)	-	(36,251)	(29,455)	-	(29,455)

30. OTHER OPERATING (EXPENSES)/INCOME, NET

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Other income						
Unrealised gain on foreign exchange	41,114	-	41,114	6,353	-	6,353
Realised gain on foreign exchange	70,536	2	70,538	9,852	-	9,852
Processing income	346	-	346	1,298	-	1,298
Reversal of impairment losses on						
- AFS debt securities	-	-	-	2,763	726	3,489
- financing receivables	133	-	133	399	-	399
- insurance receivables	5,826	-	5,826	5,837	-	5,837
- other receivables	-	-	-	143	-	143
Sundry income	8,513	317	8,830	3,519	121	3,640
	126,468	319	126,787	30,164	847	31,011
Other expenses						
Impairment losses on						
- reinsurance assets	(2,234)	-	(2,234)	(1,153)	-	(1,153)
- AFS equity securities	(160,248)	(135)	(160,383)	(49,594)	(1,421)	(51,015)
- other receivables	(60)	-	(60)	-	-	-
Bad debts written off	(6,144)	-	(6,144)	(1,430)	(3)	(1,433)
Realised loss on foreign exchange	(1,382)	-	(1,382)	-	-	-
Sundry expenditure	(361)	-	(361)	(717)	-	(717)
	(170,429)	(135)	(170,564)	(52,894)	(1,424)	(54,318)
Total Other Operating (Expenses)/Income, Net	(43,961)	184	(43,777)	(22,730)	(577)	(23,307)

31. NET BENEFITS AND CLAIMS

	2015 Continuing operations RM'000	2015 Discontinued operation RM'000 (Note 16)	2015 Total RM'000	2014 Continuing operations RM'000	2014 Discontinued operation RM'000 (Note 16)	2014 Total RM'000
(a) Gross Benefits and Claims Paid						
Insurance contracts:						
Life	2,084,848	-	2,084,848	1,531,034	-	1,531,034
General	686,003	11,078	697,081	1,445,108	48,563	1,493,671
	2,770,851	11,078	2,781,929	2,976,142	48,563	3,024,705
(b) Claims Ceded to Reinsurers						
Insurance contracts:						
Life	(16,457)	-	(16,457)	(19,959)	-	(19,959)
General	(453,972)	(1,224)	(455,196)	(1,187,139)	(4,611)	(1,191,750)
	(470,429)	(1,224)	(471,653)	(1,207,098)	(4,611)	(1,211,709)
(c) Gross Change in Contract Liabilities						
Insurance contracts:						
Life	(1,050,956)	-	(1,050,956)	(168,129)	-	(168,129)
General	(745,544)	(11,511)	(757,055)	2,312,862	(2,502)	2,310,360
	(1,796,500)	(11,511)	(1,808,011)	2,144,733	(2,502)	2,142,231
(d) Change in Contract Liabilities Ceded to Reinsurers						
Insurance contracts:						
Life	3,727	-	3,727	1,783	-	1,783
General	796,507	16,507	813,014	(2,301,615)	(5,302)	(2,306,917)
	800,234	16,507	816,741	(2,299,832)	(5,302)	(2,305,134)
Net Benefits and Claims	1,304,156	14,850	1,319,006	1,613,945	36,148	1,650,093

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32. MANAGEMENT EXPENSES

	<---- 2015	----	---->	<---- 2014	----	---->
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Employee benefits expense (Note 32(a))	127,656	2,811	130,467	134,591	14,272	148,863
Directors' remuneration (Note 33)	1,611	-	1,611	968	-	968
Auditors' remuneration:						
- statutory audit	678	14	692	644	245	889
- regulatory related services	35	-	35	35	-	35
- other services	332	-	332	20	-	20
Amortisation of intangible assets	4,639	42	4,681	13,383	124	13,507
Amortisation of prepaid land lease payments	304	-	304	303	-	303
Bank charges	8,800	140	8,940	7,964	360	8,324
Depreciation of property, plant and equipment	10,362	196	10,558	11,154	434	11,588
Fund management fees	-	(267)	(267)	-	(555)	(555)
Other management fees	22,953	-	22,953	19,303	106	19,409
Professional fees	1,066	95	1,161	1,566	450	2,016
Auto assist services	2,161	-	2,161	1,911	-	1,911
Assured medical fees	1,110	-	1,110	893	-	893
Rental of offices/premises	2,675	632	3,307	3,157	1,697	4,854
Electronic data processing expenses	8,712	387	9,099	8,013	609	8,622
Outsourcing services	1,099	-	1,099	14	-	14
Maybank shared services - information technology	11,362	-	11,362	10,002	-	10,002
Postage and stamp duties	2,868	22	2,890	3,424	350	3,774
Printing and stationery	2,877	68	2,945	2,569	707	3,276
Promotional and marketing cost	12,695	442	13,137	16,527	1,045	17,572

32. MANAGEMENT EXPENSES (CONTD.)

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Training expenses	2,656	10	2,666	5,553	92	5,645
Utilities, assessment and maintenance	8,540	234	8,774	8,049	575	8,624
Entertainment	899	100	999	1,505	138	1,643
Travelling expenses	2,642	9	2,651	3,982	64	4,046
Office facilities expenses	2,596	37	2,633	2,575	144	2,719
Legal fees	1,368	13	1,381	560	10	570
Other expenses	20,881	719	21,600	11,999	1,077	13,076
Total Management Expenses	263,577	5,704	269,281	270,664	21,944	292,608
(a) **Employee benefits expense:**						
Wages and salaries	89,937	2,573	92,510	99,094	12,671	111,765
EPF, CPF and TAP	14,199	204	14,403	15,225	758	15,983
SOCSO	572	-	572	594	-	594
Share-based compensation	2,759	-	2,759	4,082	90	4,172
Other benefits	20,189	34	20,223	15,596	753	16,349
	127,656	2,811	130,467	134,591	14,272	148,863

32. MANAGEMENT EXPENSES (CONTD.)

Continuing operations

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

	2015 RM'000	2014 RM'000
Salary	444	320
Bonus	192	140
EPF and pension scheme	109	80
Benefits-in-kind	7	3
Other emoluments	78	58
	830	601

33. DIRECTORS' FEES AND REMUNERATION

	2015 RM'000	2014 RM'000
Continuing operations		
(i) Directors of the company		
Fees	1,473	787
Allowance	107	92
Other emoluments	-	56
	1,580	935
(ii) Other directors:		
Executive:		
Fees	29	29
Allowance	2	4
	31	33
Total Directors' Fees and Remuneration	1,611	968

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33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

(a) The total remuneration of the directors of the Company are as follows:

2015	Allowance RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
(i) Directors of the Company:				
Non-executive directors				
Dato' Mohd Salleh Hj Harun	8	203	-	211
Dato' Johan Ariffin	16	186	-	202
Encik Zainal Abidin Jamal	12	172	-	184
Mr. Gary Lee Crist	6	157	-	163
Datuk R Karunakaran	19	208	-	227
Mr. Loh Lee Soon	17	182	-	199
Mr. Frank J.G Van Kempen	16	195	-	211
Mr. Koh Heng Kong	13	170	-	183
	107	1,473	-	1,580
(ii) Other Directors				
Non-executive directors				
Datuk' Abdul Farid Alias	2	29	-	31
	2	29	-	31
	109	1,502	-	1,611

33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

(a) The total remuneration of the directors of the Company are as follows: (Contd.)

2014	Allowance RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
(i) Directors of the Company				
Non-executive directors				
Dato' Mohd Salleh Hj Harun	8	113	-	121
Dato' Johan Ariffin	14	104	-	118
Encik Zainal Abidin Jamal	10	82	-	92
Mr. Gary Lee Crist	7	75	-	82
Datuk R Karunakaran	18	125	-	143
Mr. Loh Lee Soon	13	100	-	113
Mr. Frank J.G Van Kempen	12	107	-	119
Mr. Koh Heng Kong	10	81	56	147
	92	787	56	935
(ii) Other Directors				
Non-executive directors				
Datuk' Abdul Farid Alias	4	29	-	33
	4	29	-	33
	96	816	56	968

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34. FEE AND COMMISSION EXPENSES

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Costs incurred for the acquisition of insurance contracts expensed	156,763	5,884	162,647	165,876	22,042	187,918

35. INCOME TAX EXPENSE

Major components of income tax expense

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

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Income Statement						
Income tax:						
Current financial year						
- Malaysia	54,440	-	54,440	52,252	-	52,252
- Foreign	-	(83)	(83)	-	1,414	1,414
Under provision of taxation in prior financial years	68	-	68	7,384	-	7,384
Deferred taxation:						
Relating to origination and reversal of temporary differences (Note 21)	48,620	-	48,620	64,577	-	64,577
Income tax expense/(recovery) recognised in income statement	103,128	(83)	103,045	124,213	1,414	125,627
Statement of Comprehensive Income						
Deferred income tax related to other comprehensive income:						
- Fair value changes on AFS investments (Note 21)	7,160	-	7,160	(24,376)	-	(24,376)

35. INCOME TAX EXPENSE (CONTD.)

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 Company is as follows:

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Profit before taxation	386,079	922	387,001	467,666	13,409	481,075
Taxation at Malaysian statutory tax rate of 25% (2014:25%)	96,520	-	96,520	116,917	3,352	120,269
Business outside Malaysia taxed at 5%	-	(46)	(46)	(5,413)	-	(5,413)
Tax relief on actuarial surplus transferred to shareholder's fund	(767)	-	(767)	(470)	-	(470)
Income not subject to tax	(1,010)	-	(1,010)	(899)	(1,938)	(2,837)
Expenses not deductible for tax purposes	12,336	-	12,336	11,769	-	11,769
Effect of reduction in tax rate	(2,266)	-	(2,266)	(2,735)	-	(2,735)
Additional deduction allowed in respect of cash contributions made to MMIP during the year	(1,753)	-	(1,753)	(2,340)	-	(2,340)
Refund of taxation	-	(37)	(37)	-	-	-
Under provision of taxation in prior financial year	68	-	68	7,384	-	7,384
Tax expense for the financial year	103,128	(83)	103,045	124,213	1,414	125,627

Domestic income tax for shareholder's fund and general fund are calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year.

35. INCOME TAX EXPENSE (CONTD.)

Taxation borne by policyholders

	2015			2014		
	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operation RM'000 (Note 16)	Total RM'000
Income tax:						
Current financial year						
- Malaysia	31,305	-	31,305	50,635	-	50,635
Deferred taxation:						
Relating to origination and reversal of temporary differences (Note 21)	(4,903)	-	(4,903)	(4,112)	-	(4,112)
Over provision of taxation in prior financial years	(2,056)	-	(2,056)	527	-	527
	24,346	-	24,346	47,050	-	47,050

The income tax borne by policyholders 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.

36. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	2015 RM'000	2014 RM'000
Profit attributable to ordinary equity holders:		
- Continuing operations	282,951	343,453
- Discontinued operation	1,005	11,995
	283,956	355,448

	31.12.2015 '000	31.12.2014 '000
Number of ordinary share in issue	152,151	152,151

	2015 sen	2014 sen
Basic and diluted earnings per share:		
- Continuing operations	185.97	225.73
- Discontinued operation	0.66	7.88
	186.63	233.62

There have been no other transactions involving ordinary shares between the reporting date and the authorisation date of the financial statements.

37. DIVIDENDS

	2015 RM'000	2014 RM'000
Recognised during the financial year:		
Dividend on ordinary shares:		
- Final dividend for the year ended 31 December 2014: Single-tier dividend of 243.2 sen per share	370,032	-
	370,032	-

38. OPERATING LEASE COMMITMENTS

(a) Company as lessee

As at the reporting date, the Company leases its office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

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
Within 1 year	2,215	3,235
After 1 year but not more than 5 years	5,932	7,913
	8,147	11,148

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

(b) Company as lessor

The Company 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
Not later than 1 year	39,972	35,927
After 1 year but not more than 5 years	67,694	60,881
	107,666	96,808

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

39. OTHER COMMITMENTS AND CONTINGENCIES

	2015 RM'000	2014 RM'000
Approved and contracted for:		
Investment properties	42,043	58,877
Property, plant and equipment	3,926	14,294
Intangible assets	13,910	14,862
	59,879	88,033
Approved but not contracted for:		
Investment properties	211,194	219,782
Intangible assets	3,613	-
	214,807	219,782

40. 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 ESOS and 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 the Bank 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 Company is 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.

40. 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.

- <u>ESOS</u>
  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 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.

- <u>RSU</u>
  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.

40. 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 a 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 the 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 the first tranche and second trache of the ESOS Second Grant amounting to 1,300 and 3,100 respectively.

40. 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 the 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 the 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 the 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 the fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

40. 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 Articles of Association of MBB relating to transfer, transmission and otherwise.

- The subscription price of the ESOS shall be 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 the 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 grants 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 grants made to selected senior management. The SRSU will be vested on a two (2) to three (3) year cliff vesting schedule.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Company.

The Company has 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.

(a) Significant transactions of the Company with related parties during the financial year were as follows:

	2015 RM'000	2014 RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	26,129	4,977
Commissions and fees expenses	(67,997)	(83,162)
Claims paid	(25,989)	(590)
Interest income	31,002	32,729
Rental income	3,537	3,350
Net hedging income	1,042	1,717
Other expenses	(3,995)	(4,108)
Holding company:		
Gross premium income	283	-
Rental income	111	149
Shared service cost	(5,859)	(7,055)
Other expense	(16)	-
Final dividend	(370,032)	-

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(a) Significant transactions of the Company with related parties during the financial year were as follows: (Contd.)

	2015 RM'000	2014 RM'000
Other related companies within the MBB group:		
Gross premium income	438	35
Dividend income	1,765	1,580
Interest income	9,772	7,132
Rental income	14,886	13,602
Other investment income	25	25
Other management fees/(expenses)	(65)	-
Shared service income	52,103	40,285
Maybank shared service - information technology	(11,362)	(10,002)
Other expenses	(283)	-
Companies with significant influence over the MBB Group:		
Gross insurance premium income	4,510	1,972
Claims paid	(3,374)	-
Interest on subordinated obligation	(10,945)	(10,945)

(b) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following:

	2015 RM'000	2014 RM'000
Ultimate holding company:		
Fixed and call deposits	169,635	245,679
Structured deposits	125,365	170,275
NCD	68,963	66,463
Corporate bonds	170,548	302,868
Derivatives	(56,480)	(15,135)
Bank balance	57,366	81,194
Income due and accrued	4,451	6,804
Outstanding premiums	9,628	6,966
Claim liabilities	(60,656)	(256)
Amount due from/(to) ultimate holding company	427	(607)
Other receivables	97	1,983
Other payables	(2,533)	(2,162)

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(b) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following: (Contd.)

	2015 RM'000	2014 RM'000
Holding company:		
Amount due to holding company	(1,146)	(635)
Other related companies over the MBB Group:		
Fixed and call deposits	475,420	323,772
Structured deposits	4,782	-
Corporate bonds	-	9,709
Derivatives	1,139	1,683
Outstanding premiums	1	4
Income and profits due and accrued	1,972	345
Amount due from other related companies	6,776	5,384
Amount due to other related companies	(2)	(84)
Companies with significant influence over the MBB Group:		
Outstanding premiums	75	95
Claims liabilities	(2,739)	(1,142)
Subordinated obligation	(270,367)	(270,338)
Amount due to agents and intermediaries	(87)	-
Subsidiary:		
Amount due to subsidiary	(1,644)	(1,650)

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(c) Key management personnel compensation

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

	2015 RM'000	2014 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	745	556
- Fees	1,502	816
- EPF and pension scheme	109	80
- Other emoluments and benefits-in-kind	85	117
	2,441	1,569

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

	2015 RM'000	2014 RM'000
At 1 January	99	95
Granted	22	241
Resignation of key management personnel	-	(336)
Appointment of key management personnel	-	99
At 31 December	121	99

The remuneration of other key management personnel, that is the non-executive directors of the Company are as disclosed in Notes 32 and 33 of the financial statements.

42. 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 have been set which serves as the foundation for risk management and are 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

Risk Appetite and Strategy

The establishment of the Company'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.

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Appetite and Strategy (Contd.)

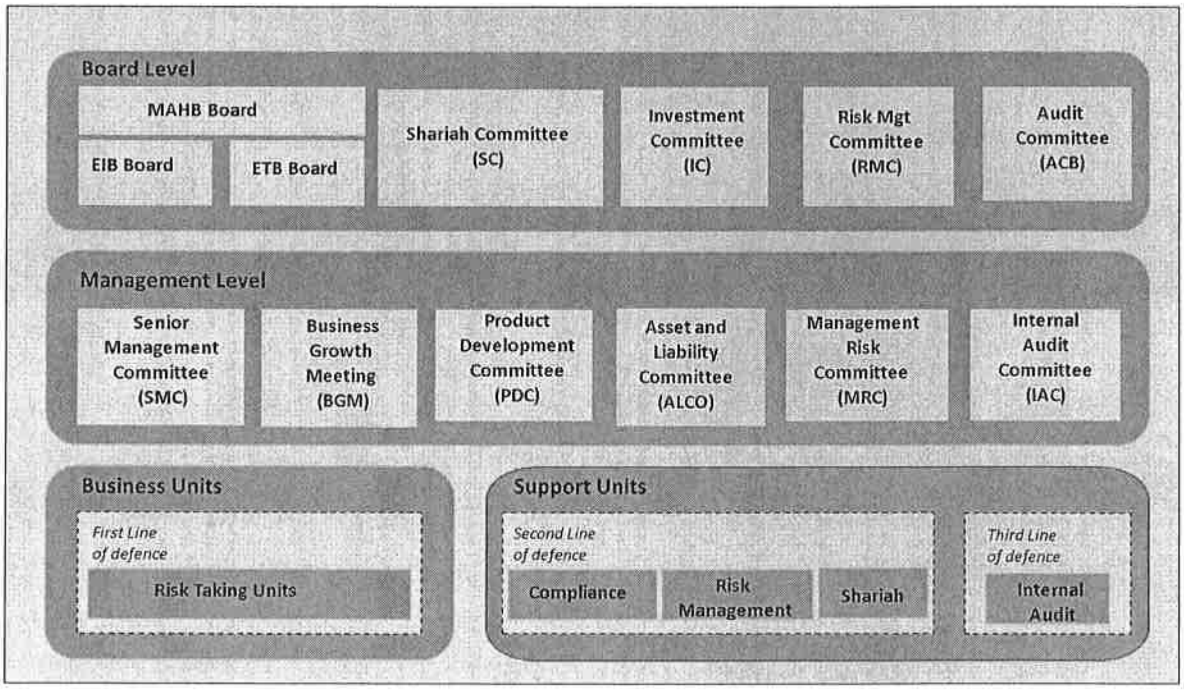
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising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

Governance and 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 emphasised 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 outlines the organisation, 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 of Directors (Board), the Risk Management Committee (RMC) and the Management Risk Committee (MRC).



The governance structure 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.

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

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 Committees, such as risk matters to the Risk Management Committee, Audit matters to the Audit Committee and investment matters to the Investment Committee.

Shariah 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.

Risk Management Committee (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.

Investment Committee (IC)
The IC is the governance body which carries an oversight function for investment related activities.

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

Senior Management Committee (SMC)
The responsibility of the SMC is to assure the Board that the Group takes the appropriate decisions regarding risks and return and to ensure adequate controls exist and are fully operational.

Management Risk Committee (MRC)
The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

Asset Liability Committee (ALCO)
The ALCO is responsible for 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.

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Internal Audit Committee (IAC)
The IAC is responsible for the monitoring and follow-up of audit findings.

Business Growth Committee (BGM)
BGM is a platform for business leaders to discuss business growth development issues.

Product Development Committee (PDC)
The PDC's prime objective is to coordinate and manage the whole process of product development and product management for the specific product lines derived from the overall marketing plan of the Group.

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 risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

Risk culture is 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 material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk Management Practices and Process

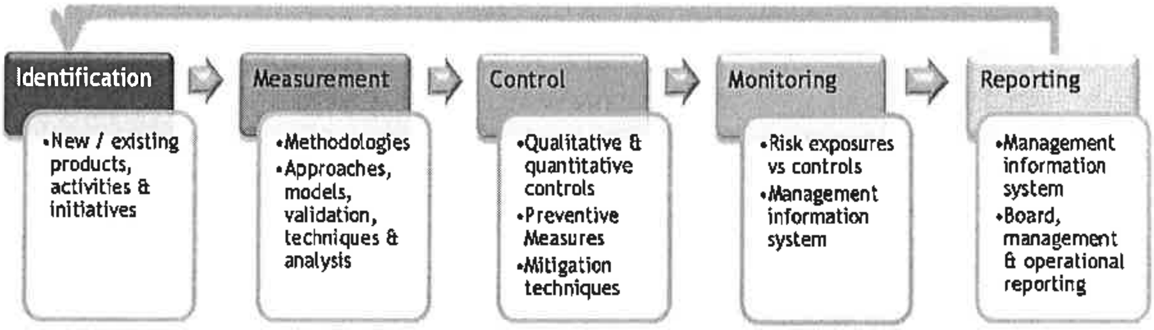
Risk management practices and process are a fundamental component of risk principles. It is essential in enabling systematic identification, measurement, controlling, monitoring and reporting of risk exposures.

To enable an effective execution of 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 Company.

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Management Practices and Process (Contd.)

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



Resource and System Insfrastructure

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.

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42. RISK MANAGEMENT FRAMEWORK (CONTD.)

System Infrastructure

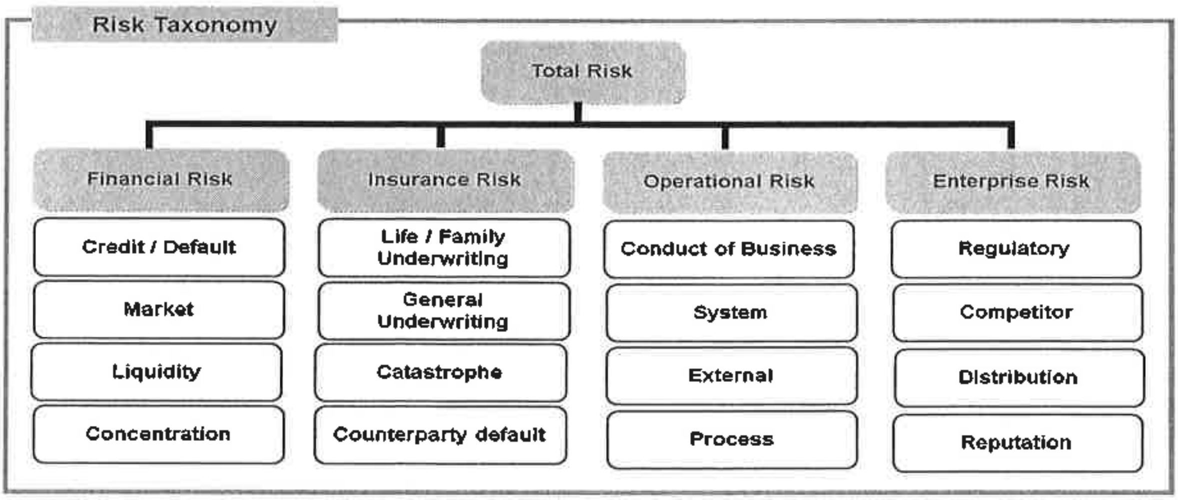
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system to support an enterprise-wide or consolidated view of risks.

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



43. INSURANCE RISK

Insurance risk relates to the inherent risks associated with the underwriting activities of life and general businesses. Such risks include pricing, reserving, underwriting, catastrophe and reinsurance counterparty default. Analyses are performed to manage pricing, underwriting and reserving risks by evaluating trends before benefits and claims become due for payment.

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

The Company has established appropriate guidelines and 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 Company's guidelines and standards.

(A) Life Insurance

(i) The table below discloses 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
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	(22,536)	852,066
Term assurance	353,935	-	353,935	371,026	-	371,026
Annuity	213,396	-	213,396	491,518	-	491,518
Others	434,297	-	434,297	71,312	-	71,312
Total	5,926,062	(19,500)	5,906,562	6,705,495	(22,536)	6,682,959

All of the Company's life business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Company.

43. INSURANCE RISK (CONTD.)

(A) Life Insurance (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") of the appropriate duration.

In the case of the guaranteed benefit 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 participanting fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes. Participating business includes participating annuity. The discount rate for participating annuity business is the gross rate as these funds are tax exempt.

(b) Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company.

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

43. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

(ii) Key Assumptions (Contd.)

(c) Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business i.e. policyholders renew their policies etc. These rates are based on the Company'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 Analysis

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.

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
		<-------- Increase	-------->	<-------- Decrease	-------->
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)

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43. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

(iii) Sensitivity Analysis (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
		<-------- Increase	-------->	<-------- Decrease	-------->
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 an equivalent, but opposite impact on profit before tax and equity.

43. INSURANCE RISK (CONTD.)

(B) General Insurance

(i) **The table below shows the concentration of premium by type of contract.**

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Malaysia						
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	194,493	(54,254)	140,239	211,426	(61,156)	150,270
	1,403,972	(925,367)	478,605	1,391,609	(902,940)	488,669
Brunei						
Motor	575	(104)	471	811	(37)	774
Fire	2,595	(666)	1,929	5,365	(812)	4,553
Marine, Aviation, Cargo and Transit	268	(98)	170	451	(12)	439
Miscellaneous	3,067	(1,429)	1,638	5,576	(2,108)	3,468
	6,505	(2,297)	4,208	12,203	(2,969)	9,234
Total	1,410,477	(927,664)	482,813	1,403,812	(905,909)	497,903

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(ii) Key Assumptions and Methods

The estimation of claims liabilities based on the RBC Framework 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**
Unallocated loss adjustment expense to paid loss ratio	5%	5%

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Sensitivity Analysis

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 claim 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	**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**
		<------------------ **Increase/(decrease)**			------------------>
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

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

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Claims development table

The following tables show estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting year, together with cumulative payments to date. The management of the Company believes the estimate of total claims outstanding as at the financial year end are adequate. The Company 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.

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

Accident year	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	Total RM'000
		<----------			As at 31 December			---------->	
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	3,324,464		
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	620,502						
6 years later		295,228							
Estimate of gross cumulative claims (A)		295,228	620,502	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	408,804			
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	
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									79,537
ULAE									15,774
Best estimate of gross claim liabilities									2,915,305
PRAD									436,600
Gross Insurance Claims Liabilities as at 31 December 2015									3,351,905

ETIQA INSURANCE BERHAD
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43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
		<----			As at 31 December			---->	
Estimate of net cumulative claims:									
At the end of accident year		351,437	366,444	237,994	271,700	283,985	263,503	255,864	
1 year later		226,824	257,423	239,453	258,324	265,906	251,303		
2 years later		216,933	257,693	234,554	260,331	274,429			
3 years later		216,002	254,756	238,818	264,442				
4 years later		213,716	256,253	239,469					
5 years later		212,961	258,008						
6 years later		212,380							
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	
Net outstanding claim liabilities (A) - (B)	6,153	2,542	7,719	7,643	16,639	29,609	56,175	150,624	277,104
Net outstanding claim liabilities for Brunei and Treaty Inward									79,094
ULAE									15,775
Best estimate of net claim liabilities									371,973
PRAD									83,664
Net Insurance Claims Liabilities as at 31 December 2015									455,637

ETIQA INSURANCE BERHAD
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43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Gross insurance Contract Liabilities

Accident year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
		<------		As at 31 December				------>	
Estimate of gross cumulative claims:									
At the end of accident year		420,321	511,266	562,758	387,941	640,233	687,574	3,368,421	
1 year later		506,979	420,875	738,192	533,071	670,334	507,493		
2 years later		348,529	314,554	733,794	386,610	655,020			
3 years later		342,855	303,437	669,579	396,983				
4 years later		345,716	298,374	631,422					
5 years later		342,245	296,156						
6 years later		339,109							
Estimate of gross cumulative claims (A)		339,109	296,156	631,422	396,983	655,020	507,493	3,368,421	
Estimate of gross cumulative payments to date:									
At the end of accident year		131,993	137,944	141,508	121,264	229,494	167,692	1,120,319	
1 year later		230,652	229,309	324,251	247,258	359,755	307,101		
2 years later		285,343	273,022	399,692	283,406	472,739			
3 years later		319,168	285,531	503,397	306,870				
4 years later		329,271	287,957	511,782					
5 years later		332,451	288,669						
6 years later		333,065							
Gross cumulative payments (B)		333,065	288,669	511,782	306,870	472,739	307,101	1,120,319	
Gross outstanding claim liabilities (A) - (B)	98,731	6,044	7,487	119,640	90,113	182,281	200,392	2,248,102	2,952,790
Gross outstanding claim liabilities for Brunei and Treaty Inward									75,772
ULAE									13,918
Best estimate of net claim liabilities									3,042,480
PRAD									1,054,969
Gross Insurance Claims Liabilities as at 31 December 2014									4,097,449

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43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
		<----			As at 31 December			---->	
Estimate of net cumulative claims:									
At the end of accident year		241,450	351,437	366,444	237,994	271,700	283,985	263,503	
1 year later		207,650	226,824	257,423	239,453	258,324	265,906		
2 years later		202,737	216,933	257,693	234,554	260,331			
3 years later		206,484	216,002	254,756	238,818				
4 years later		205,833	213,716	256,253					
5 years later		204,816	212,961						
6 years later		201,932							
Estimate of net cumulative claims (A)		201,932	212,961	256,253	238,818	260,331	265,906	263,503	
Estimate of net cumulative payments to date:									
At the end of accident year		107,519	116,199	129,148	104,838	113,841	131,720	113,052	
1 year later		175,167	180,253	215,845	197,855	211,743	224,674		
2 years later		187,786	199,997	239,697	220,615	239,069			
3 years later		195,245	207,217	247,450	229,267				
4 years later		199,205	208,925	249,705					
5 years later		199,890	209,159						
6 years later		200,222							
Net cumulative payments (B)		200,222	209,159	249,705	229,267	239,069	224,674	113,052	
Net outstanding claim liabilities (A) - (B)	5,821	1,710	3,802	6,548	9,551	21,262	41,232	150,451	240,377
Net outstanding claim liabilities for Brunei and Treaty Inward									74,906
ULAE									13,918
Best estimate of net claim liabilities									329,201
PRAD									75,473
Net Insurance Claims Liabilities as at 31 December 2014									404,674

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

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

Subsequent to 2009, gross valuation was performed as at the end of the year. Thus, the estimated cumulative claims from year 2009 to 2015 represent the estimate of expected claims to be paid on gross premium earned up to 31 December.

44. FINANCIAL RISKS

(i) Credit Risk

The Company's credit risk arises mainly through investments in fixed income instruments, fixed and call deposits, cash and bank balances and contracts with policyholders and reinsurance counterparties.

However, the main contribution to credit risk arises from transactions related to the Company's positions in debt securities (mainly corporate bonds). The Company faces default risk when the 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 Company measures and manages its credit risk following the philosophies and principles below:

(a) The Risk Management department together with the Investment Department, actively aims to prevent undue concentration by ensuring its credit portfolio is diversified;
(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's credit quality and is aligned to risk appetite; and
(d) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management on impending problems in a timely manner.

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statement 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 agreements. 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.

	2015			2014		
	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000
AFS financial assets						
Malaysian government paper	239,014	-	239,014	95,915	-	95,915
Debt securities, structured products and NCDs	1,020,122	-	1,020,122	1,273,672	-	1,273,672
Equity securities	1,181,554	-	1,181,554	1,417,295	-	1,417,295
Unit and property trust funds	50,056	-	50,056	54,819	-	54,819
Financial assets at FVTPL						
(i) **Designated upon initial recognition**						
Malaysian government paper	130,330	-	130,330	231,195	-	231,195
Debt securities, structured products and NCDs	5,664,757	-	5,664,757	6,978,798	-	6,978,798
(ii) HFT						
Malaysian government paper	-	85,563	85,563	-	65,182	65,182
Debt securities, structured products and NCDs	-	776,964	776,964	-	929,120	929,120
Equity securities	-	723,530	723,530	-	663,921	663,921
Unit and property trust funds	-	13,571	13,571	-	14,962	14,962
Redeemable loan stocks		7	7	-	-	-
LAR						
Fixed and call deposits	1,685,051	124,182	1,809,233	715,915	178,568	894,483
Financing receivables	255,718	-	255,718	264,431	-	264,431
Reinsurance assets	3,272,164	-	3,272,164	4,096,708	-	4,096,708
Insurance receivables	324,615	-	324,615	333,480	-	333,480
Other receivables	260,428	-	260,428	311,655	24,636	336,291
Derivative assets	2,610	-	2,610	-	12,646	12,646
Cash and bank balances	74,656	-	74,656	71,291	417	71,708
	14,161,075	1,723,817	15,884,892	15,845,174	1,889,452	17,734,626

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating

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

	Neither past-due nor impaired						
	^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	Total RM'000
2015							
AFS financial assets							
Malaysian government papers	-	-	239,014	-	-	-	239,014
Debt securities, structured products and NCDs	813,805		206,317	-	-	-	1,020,122
Equity securities	-	-	-	-	-	1,181,554	1,181,554
Unit and property trust funds	-	-	-	-	-	50,056	50,056
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	130,330	-			-	-	130,330
Debt securities, structured products and NCDs	4,278,084		1,386,673		-	-	5,664,757
(ii) HFT							
Malaysian government papers	-	-	-	85,563	-	-	85,563
Debt securities, structured products and NCDs	-	-	-	776,964	-	-	776,964
Equity securities	-	-	-	723,530	-	-	723,530
Unit and property trust funds	-	-	-	13,571	-	-	13,571
Redeemable loan stocks	-	-	-	7	-	-	7
LAR							
Fixed and call deposits	1,685,051	-	-	124,182	-	-	1,809,233
Financing receivables	-	-	254,347	-	1,371	-	255,718
Reinsurance assets	361,278	22,938	2,887,948	-	-	-	3,272,164
Insurance receivables^^	6,878	65	278,452	-	39,220	-	324,615
Other receivables	60,984	1,968	41,843	22,923	-	132,710	260,428
Derivative assets	-	-	-	2,610	-	-	2,610
Cash and bank balances	63,612	-	10,955	89	-	-	74,656
	7,400,022	24,971	5,305,549	1,749,439	40,591	1,364,320	15,884,892

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

^^ Insurance receivables from agents/insurers/reinsurers licensed under the 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 the "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.

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

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

	Neither past-due nor impaired						
	^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	Total RM'000
2014							
AFS financial assets							
Malaysian government papers	-	-	95,915	-	-	-	95,915
Singapore government securities	-	-	-	-	-	-	-
Debt securities, structured products and NCDs	1,047,341	-	226,331	-	-	-	1,273,672
Equity securities	-	-	-	-	-	1,417,295	1,417,295
Unit and property trust funds	-	-	-	-	-	54,819	54,819
Irredeemable loan stocks	-	-	-	-	-	-	-
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	-	-	231,195	-	-	-	231,195
Debt securities, structured products and NCDs	5,737,232	20,156	1,221,410	-	-	-	6,978,798
(ii) **HFT**							
Malaysian government papers	-	-	-	65,182	-	-	65,182
Debt securities, structured products and NCDs	-	-	-	929,120	-	-	929,120
Equity securities	-	-	-	663,921	-	-	663,921
Unit and property trust funds	-	-	-	14,962	-	-	14,962
LAR							
Fixed and call deposits	715,915	-	-	178,568	-	-	894,483
Financing receivables	-	-	263,085	-	1,346	-	264,431
Reinsurance assets	666,741	20,435	3,409,532	-	-	-	4,096,708
Insurance receivables^^	22,104	64	272,144	-	39,168	-	333,480
Other receivables	77,978	1,147	41,900	24,636	-	190,630	336,291
Derivative assets	-	-	-	12,646	-	-	12,646
Cash and bank balances	70,991	-	300	417	-	-	71,708
	8,338,302	41,802	5,761,812	1,889,452	40,514	1,662,744	17,734,626

^ Based on ratings assigned by external rating agencies including RAM and MARC.
^^ Insurance receivables from agents/insurers/reinsurers licensed under the 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 the "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.

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Quality of Financial Assets

	Past due but not impaired				Impaired			
	< 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000	Original carrying amount RM'000	Allowance for impairment RM'000	Net carrying amount RM'000	Total RM'000
2015								
Financing receivables	45	45	1,281	1,371	2,252	(2,252)	-	1,371
Reinsurance assets	-	-	-	-	3,423	(3,423)	-	-
Insurance receivables	30,356	4,512	4,352	39,220	19,324	(19,324)	-	39,220
Other receivables	-	-	-	-	403	(403)	-	-
	30,401	4,557	5,633	40,591	25,402	(25,402)	-	40,591
2014								
Financing receivables	50	48	1,248	1,346	2,385	(2,385)	-	1,346
Reinsurance assets	-	-	-	-	1,189	(1,189)	-	-
Insurance receivables	20,653	3,512	15,003	39,168	25,145	(25,145)	-	39,168
Other receivables	-	-	-	-	406	(406)	-	-
	20,703	3,560	16,251	40,514	29,125	(29,125)	-	40,514

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account

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

	Financing receivables RM'000 (Note 11)	Reinsurance assets RM'000 (Note 12)	Insurance receivables RM'000 (Note 13)	Other receivables RM'000 (Note 14)	Total RM'000
2015					
Individual allowance					
At 1 January 2015	2,385	1,189	18,474	406	22,454
Allowance made/(reversed) during the year	(133)	2,234	(7,802)	60	(5,641)
Write-offs	-	-	-	(63)	(63)
Translation differences	-	-	5	-	5
At 31 December 2015	2,252	3,423	10,677	403	16,755
Collective allowance					
At 1 January 2015	-	-	6,671	-	6,671
Allowance made during the year	-	-	1,976	-	1,976
Translation differences	-	-	-	-	-
At 31 December 2015	-	-	8,647	-	8,647
Total as at 31 December 2015	2,252	3,423	19,324	403	25,402

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account (Contd.)

	Financing receivables RM'000 (Note 11)	Reinsurance assets RM'000 (Note 12)	Insurance receivables RM'000 (Note 13)	Other receivables RM'000 (Note 14)	Total RM'000
2014					
Individual allowance					
At 1 January 2014	2,784	36	19,578	549	22,947
Allowance made/(reversed) during the year	(399)	1,153	(1,105)	(143)	(494)
Translation differences	-	-	1	-	1
At 31 December 2014	2,385	1,189	18,474	406	22,454
Collective allowance					
At 1 January 2014	-	-	11,897	-	11,897
Allowance reversed during the year	-	-	(4,732)	-	(4,732)
Attributable to disposal group held for sale (Note 16)	-	-	(504)	-	(504)
Translation differences	-	-	10	-	10
At 31 December 2014	-	-	6,671	-	6,671
Total as at 31 December 2014	2,385	1,189	25,145	406	29,125

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Financial Effects of Collateral Held

The main types of collateral obtained by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash surrender value of policies
Corporate loans	Charges over properties being financed and bank guarantees
Secured staff/non-staff loans	Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 96% as at 31 December 2015 (2014: 96%). The financing receivables amounting to RM248,833,709 as at 31 December 2015 (2014: RM262,383,084) are collaterised.

The remaining balance of financing receivables are not collateralised.

(ii) Liquidity Risk

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

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

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

The Company measures and manages liquidity risk following the philosophies and principles below:

(a) The Risk Management and Investment Management Department are actively monitoring the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform; and

(b) The Investment Management Department ensures that the established investment limits allow for reasonable liquidity requirements at all times.

Maturity Profiles

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

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analyses as there are no contractual obligations to make payments on these 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.

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

2015	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	Total RM'000
Financial assets:					
AFS^	1,259,136	159,850	576,090	987,664	1,723,604
FVTPL^	6,657,621	513,676	2,799,482	5,301,717	8,614,875
LAR	1,809,233	1,809,233	-	-	1,809,233
Financing receivables	255,718	225,758	13,897	24,491	264,146
Reinsurance assets*	2,914,984	826,448	439,717	1,656,915	2,923,080
Insurance receivables	324,615	324,615	-	-	324,615
Other receivables	260,428	260,428	-	-	260,428
Derivative assets	2,610	2,610	-	-	2,610
Cash and bank balances	74,656	74,656	-	-	74,656
Total assets	13,559,001	4,197,274	3,829,186	7,970,787	15,997,247
Insurance contract liabilities*	11,792,779	3,479,978	2,069,344	11,100,774	16,650,096
Subordinated obligation	500,000	20,650	82,600	541,300	644,550
Derivative liabilities	59,283	8,835	50,448	-	59,283
Insurance payables	356,098	356,098	-	-	356,098
Other payables	292,032	292,032	-	-	292,032
Interest payable on subordinated obligation	10,127	10,127	-	-	10,127
Total liabilities	13,010,319	4,167,720	2,202,392	11,642,074	18,012,186

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44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

2014	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	Total RM'000
Financial assets:					
AFS^	1,369,587	126,231	503,733	1,359,558	1,989,522
FVTPL^	8,204,295	1,222,140	3,325,912	6,485,533	11,033,585
LAR	894,483	894,483	-	-	894,483
Financing receivables	264,431	232,354	16,350	30,598	279,302
Reinsurance assets*	3,717,452	887,970	619,397	2,216,768	3,724,135
Insurance receivables	333,480	333,480	-	-	333,480
Other receivables	336,291	336,291	-	-	336,291
Derivative assets	12,646	-	12,646	-	12,646
Cash and bank balances	71,708	71,708	-	-	71,708
Total financial and insurance assets	15,204,373	4,104,657	4,478,038	10,092,457	18,675,152
Insurance contract liabilities*	13,576,569	4,453,314	2,435,524	11,001,968	17,890,806
Subordinated obligation	500,000	20,650	82,600	582,600	685,850
Derivative liabilities	15,134	697	14,438	-	15,135
Insurance payables	364,505	364,505	-	-	364,505
Other payables	318,997	318,997	-	-	318,997
Interest payable on subordinated obligation	10,071	10,071	-	-	10,071
Total financial and insurance liabilities	14,785,276	5,168,234	2,532,562	11,584,568	19,285,364

^ Excluding equities securities and unit and property trust funds
* Excluding premium liabilities

44. 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 Company has three main key features in respect of its market risk management practices and policies:

(a) A company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable;

(b) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policy after taking cognisance of regulatory requirements in respect of 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 Company also issues investment-linked policies in a number of its products. In the investment-linked business, the policyholder bears 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 Company'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.

44. 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 Company's primary transactions are carried out in RM and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

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

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

The Company'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 Company has no significant concentration of foreign currency risk.

(b) Interest Rate Risk

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

Interest rate risks arise from exposures to interest rate 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 Company.

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Interest Rate Risk (Contd.)

The Company measures and manages the interest rate 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.

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

Changes in variables	2015 Impact on profit before tax RM'000	2015 Impact on equity* RM'000	2014 Impact on profit before tax RM'000	2014 Impact on equity* RM'000
	(Decrease)/increase		(Decrease)/increase	
+100 basis points	(205,980)	(214,453)	(226,816)	(239,334)
-100 basis points	205,980	214,453	226,816	239,334

* Impact on equity is after tax of 25%

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(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 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 Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

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

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

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

Market Index	Changes in variables	<---------2015----------> Impact on profit before tax RM'000	Impact on equity* RM'000	<----------2014-----------> Impact on profit before tax RM'000	Impact on equity* RM'000
		(Decrease)/increase		(Decrease)/increase	
Bursa Malaysia	+10%	-	59,943	-	105,850
	-10%	-	(59,943)	-	(105,850)

* Impact on equity is after tax of 25%

45. OPERATIONAL RISK

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.

Some examples of operational incidents include:

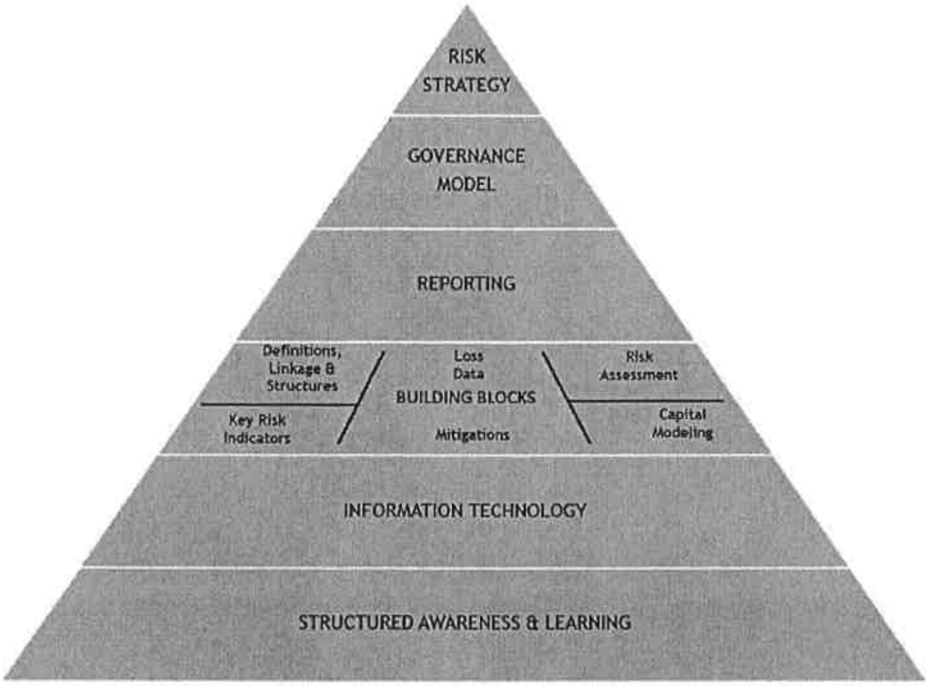
- Misappropriation of investments, due to fraud, an illegal act, malicious intent, spite, terrorism;
- Disruption or failure of IT systems and infrastructure, which may be used for monitoring, execution, administration;
- Inaccurate calculations due to data quality or errors, methodology flaws, miscalculations;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

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

Causal Categories	Definition
People	Risks resulting from staff defaulting unexpected behaviours 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.

45. OPERATIONAL RISK (CONTD.)

The methodology and components adopted in operational risk are summarised in the following diagram:



Enterprise Risk

Enterprise risk covers the external and internal factors that can impact the Company's 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.

46. 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 rates which are comparable with the rates offered on similar instruments in the market and to counter parties with similar credit profiles. Accordingly, the carrying amounts of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance Receivables and Payables

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

(iv) Investments

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

Description of Overall Fair Value Framework

The Company has an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuations of financial instruments.

Fair value information has not been disclosed for the Company's investments in unquoted shares that are carried at cost because the fair value cannot be measured reliably. The investment represents ordinary shares in various organizations which are not quoted on any markets and the variability in the range of reasonable fair value estimates derived from valuation techniques is significant.

The valuations 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 values of financial instruments can be assessed using observable inputs or unobservable inputs where one or more significant inputs are unobservable. Management judgement 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.

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

(iv) Investments (Contd.)

Description of Overall Fair Value Framework (Contd.)

Valuation adjustments are an integral part of the valuation process. Valuation adjustment reflect the uncertainty in valuations for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustments, the Company 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 Company continuously enhances its design and validation methodologies and processes used to produce valuations. The valuation models are validated both internally and externally, with periodic reviews 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 into 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 which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

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

  Refers to inputs other than quoted price 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 government bonds, and over-the-counter ("OTC") derivatives.

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

  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.

  Example of level 3 instruments are private equity investments and investment properties.

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

(a) Fair Value Disclosures Based on 3-Level Hierarchy

	Valuation techniques used:			
	Level 1	Level 2	Level 3	
2015	**Quoted market prices RM'000**	**Using Observable inputs RM'000**	**Using Significant unobservable inputs RM'000**	**Total RM'000**
Assets				
AFS financial assets				
Equity securities	1,129,303	-	-	1,129,303
Malaysian government papers	-	239,014	-	239,014
Debt securities, structured products and NCDs	-	946,881	73,241	1,020,122
Unit and property trust funds	50,056	-	-	50,056
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	130,330	-	130,330
Debt securities, structured products and NCDs	-	5,602,366	62,391	5,664,757
(ii) HFT				
Equity securities	723,530	-	-	723,530
Malaysian government papers	-	85,563	-	85,563
Debt securities, structured products and NCDs	-	776,964	-	776,964
Redeemable loan stock	7	-	-	7
Unit and property trust funds	13,571	-	-	13,571
Derivative assets	-	2,610	-	2,610
Total assets	1,916,467	7,783,728	135,632	9,835,827
Liabilities				
Derivative Liabilities	-	(59,283)	-	(59,283)
Total liabilities	-	(59,283)	-	(59,283)

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

(a) Fair Value Disclosures Based on 3-Level Hierarchy (Contd.)

	Valuation techniques used:			
	Level 1	Level 2	Level 3	
2014	**Quoted market prices RM'000**	**Using Observable inputs RM'000**	**Using Significant unobservable inputs RM'000**	**Total RM'000**
Assets				
AFS financial assets				
Equity securities	1,315,044	-	-	1,315,044
Malaysian government papers	-	95,915	-	95,915
Singapore government securities	-	-	-	-
Debt securities, structured products and NCDs	-	1,273,672	-	1,273,672
Irredeemable loan stock	-	-	-	-
Unit and property trust funds	54,819	-	-	54,819
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	231,195	-	231,195
Debt securities, structured products and NCDs	-	6,978,798	-	6,978,798
(ii) HFT				
Equity securities	663,921	-	-	663,921
Malaysian government papers	-	65,182	-	65,182
Debt securities, structured products and NCDs	-	929,120	-	929,120
Unit and property trust funds	14,962	-	-	14,962
Derivative assets	-	12,646	-	12,646
Total assets	2,048,746	9,586,528	-	11,635,274
Liabilities				
Derivative Liabilities	-	(15,134)	-	(15,134)
Total liabilities	-	(15,134)	-	(15,134)

Unquoted equities securities of RM52,251,154 (2014: RM102,251,154) as disclosed in Note 9 are not included in the above analysis as they are carried at cost.

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

(b) Transfer between Level 1 and Level 2 in the fair value hierarchy

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. 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 transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2015.

(c) Reconciliation of level 3 fair value hierarchy

	Financial instruments measured at fair value				
2015	**AFS RM'000**	**Designated at FVTPL RM'000**	**HFT RM'000**	**Derivative assets RM'000**	**Derivative liabilities RM'000**
At 1 January 2015	-	-	-	-	-
Recognised in the income statement:					
Realised gain	301	255	-	-	-
Fair value gain	-	1,487	-	-	-
Recognised in other comprehensive income as fair value gain	1,746	-	-	-	-
Sales	(1,098)	(935)	-	-	-
Transfer into Level 3	72,292	61,584	-	-	-
At 31 December 2015	73,241	62,391	-	-	-
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting period	301	255			
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	1,746	-	-	-	-

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

(c) Reconciliation of level 3 fair value hierarchy (Contd.)

	Financial instruments measured at fair value				
2014	**AFS RM'000**	**Designated at FVTPL RM'000**	**HFT RM'000**	**Derivative assets RM'000**	**Derivative liabilities RM'000**
At 1 January 2014	-	-	-	13,278	(3,051)
Transfer out of Level 3	-	-	-	(13,278)	3,051
At 31 December 2014	-	-	-	-	-

During the financial year 31 December 2015, the Company transferred certain financial investments and investment properties from Level 2 into Level 3 of the fair value hierarchy as these assets were valued using valuation models incorporating significant unobservable inputs.

(d) Sensitivity of fair value measurements to changes in unobservable input assumptions

The Company'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 Company'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.

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

All investment properties of the Company carried at fair values were classified under Level 3. A reconciliation of the movement 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 the comparison method and the income capitalisation 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. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates. Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

47. SIGNIFICANT EVENT

Transfer of Singapore branch's general insurance business to EIPL

On 1 April 2015, the general insurance business of the Company's Singapore branch was transferred to a related party, Etiqa Insurance Pte. Ltd. ("EIPL") under the Scheme of Transfer ("SOT") as approved by the High Court of Singapore on 27 January 2015, at a purchase consideration of RM135,478,316. Subsequently, on 27 November 2015, the Company surrendered the licence relating to its Singapore branch.

The major classes of assets and liabilities of the general insurance business transferred as at 1 April 2015 were as follows:

	RM'000
Assets:	
Property, plant and equipment	1,416
Intangible assets	389
Investments	304,854
Reinsurance assets	46,764
- Reinsurers' share of claims liabilities	24,563
- Reinsurers' share of premium liabilities	22,201
Insurance receivables	36,173
Other receivables	12,622
Cash and bank balances	11,700
Total Assets	413,918
Liabilities:	
Insurance contract liabilities	248,919
- Claims liabilities	151,977
- Premium liabilities	96,942
Insurance payables	5,482
Other payables	24,039
Current tax liabilities	-
Total Liabilities	278,440
Net Assets	135,478

48. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2015, as prescribed under the RBC Framework, is provided below:

	2015 RM'000	2014 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	152,151	152,151
Reserves, including retained earnings	4,374,043	4,455,043
	4,526,194	4,607,194
Tier 2 Capital		
Revaluation reserve	11,647	11,647
Available-for-sale reserves	98,558	61,356
Subordinated term debts	500,000	500,000
Currency translation reserve	13,565	32,450
	623,770	605,453
Amount deducted from Capital	(88,156)	(72,662)
Total Capital Available	5,061,808	5,139,985

49. COMPARATIVE FIGURES

Certain comparative figures have been restated in order to conform to changes in the current year presentation.

ETIQA INSURANCE BERHAD
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50. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total		Shareholder's and General Fund		Life Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets:						
Property, plant and equipment	112,897	112,450	57,780	59,604	55,117	52,846
Investment properties	713,901	586,929	95,294	50,034	618,607	536,895
Prepaid land lease payments	19,267	19,571	9,654	9,808	9,613	9,763
Intangible assets	47,671	30,049	28,663	17,118	19,008	12,931
Investment in associate	152	152	152	152	-	-
Investments	11,694,701	12,619,362	2,020,700	2,111,721	9,674,001	10,507,641
Financing receivables	255,718	264,431	7,736	8,754	247,982	255,677
Reinsurance assets	3,272,164	4,096,708	3,250,025	4,070,842	22,139	25,866
Insurance receivables	324,615	333,480	285,673	295,335	38,942	38,145
Other receivables	260,428	336,291	101,965	116,502	158,463	219,789
Derivative assets	2,610	12,646	-	-	2,610	12,646
Current tax assets	30,013	63,691	63,191	86,298	(33,178)	(22,607)
Cash and bank balances	74,656	71,708	32,954	45,809	41,702	25,899
	16,808,793	18,547,468	5,953,787	6,871,977	10,855,006	11,675,491
Assets classified as held for sale (Note 16)	787	391,249	787	391,249	-	-
Total Assets	16,809,580	18,938,717	5,954,574	7,263,226	10,855,006	11,675,491

ETIQA INSURANCE BERHAD
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50. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Total		Shareholder's and General Fund		Life Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Equity and liabilities:						
Share capital	152,151	152,151	152,151	152,151	-	-
Reserves	2,543,114	2,626,494	2,543,114	2,626,494	-	-
	2,695,265	2,778,645	2,695,265	2,778,645	-	-
Insurance contract liabilities	12,380,520	14,225,965	3,939,646	4,746,845	8,440,874	9,479,120
Subordinated obligation	500,000	500,000	500,000	500,000	-	-
Derivative liabilities	59,283	15,134	6,032	-	53,251	15,134
Deferred tax liabilities, net	516,255	464,802	491,730	438,117	24,525	26,685
Insurance payables	356,098	364,505	327,376	340,000	28,722	24,505
Other payables[1]	292,032	318,997	(2,015,602)	(1,811,050)	2,307,634	2,130,047
Interest payable for subordinated obligation	10,127	10,071	10,127	10,071	-	-
	14,114,315	15,899,474	3,259,309	4,223,983	10,855,006	11,675,491
Liabilities directly associated with the assets classified as held for sale (Note 16)	-	260,598	-	260,598	-	-
Total Liabilities	14,114,315	16,160,072	3,259,309	4,484,581	10,855,006	11,675,491
Total equity and liabilities	16,809,580	18,938,717	5,954,574	7,263,226	10,855,006	11,675,491
Inter fund balances	-	-	(2,082,100)	(1,879,708)	2,082,100	1,879,708

[1] - Included in other payables are amounts due to the life, general and investment-linked funds which are unsecured, not subject to any interest elements and are repayable on demand.

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50. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS FOR THE YEAR ENDED 31 DECEMBER 2015

	Total		Shareholder's Fund		General Fund		Life 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
Operating revenue	3,022,093	3,362,391	57,130	61,093	1,479,833	1,570,163	1,485,130	1,731,135
Gross earned premiums	2,502,495	2,523,037	-	-	1,472,132	1,295,177	1,030,363	1,227,860
Earned premiums ceded to reinsurers	(974,723)	(826,533)	-	-	(949,740)	(800,395)	(24,983)	(26,138)
Net earned premiums	1,527,772	1,696,504	-	-	522,392	494,782	1,005,380	1,201,722
Fee and commission income	48,040	53,065	-	-	44,334	50,491	3,706	2,574
Investment income	541,925	594,006	57,130	61,093	30,028	29,639	454,767	503,274
Realised gains	118,046	294,461	14,021	52,888	9,736	15,858	94,289	225,715
Fair value (losses)/gains	(36,251)	(29,455)	45,984	792	(5,721)	(208)	(76,514)	(30,039)
Other operating (expenses)/income, net	(43,961)	(22,730)	199	(7,518)	4,358	1,260	(48,518)	(16,472)
Other revenue	627,799	889,347	117,334	107,255	82,735	97,040	427,730	685,052
Gross benefits and claims paid	(2,770,851)	(2,976,142)	-	-	(686,003)	(1,445,108)	(2,084,848)	(1,531,034)
Claims ceded to reinsurers	470,429	1,207,098	-	-	453,972	1,187,139	16,457	19,959
Gross change in contract liabilities	1,796,500	(2,144,733)	-	-	745,544	(2,312,862)	1,050,956	168,129
Change in contract liabilities ceded to reinsurers	(800,234)	2,299,832	-	-	(796,507)	2,301,615	(3,727)	(1,783)
Net benefits and claims	(1,304,156)	(1,613,945)	-	-	(282,994)	(269,216)	(1,021,162)	(1,344,729)
Management expenses	(263,577)	(270,664)	(11,876)	(11,534)	(141,492)	(137,415)	(110,209)	(121,715)
Fee and commission expenses	(156,763)	(165,876)	-	-	(85,058)	(83,437)	(71,705)	(82,439)
Interest on subordinated obligation	(20,650)	(20,650)	(20,650)	(20,650)	-	-	-	-
Taxation borned by policyholders	(24,346)	(47,050)	-	-	-	-	(24,346)	(47,050)
Other expenses	(465,336)	(504,240)	(32,526)	(32,184)	(226,550)	(220,852)	(206,260)	(251,204)
	386,079	467,666	84,808	75,071	95,583	101,754	205,688	290,841
Surplus transfer from:								
- General Funds	-	-	67,986	85,666	(67,986)	(85,666)	-	-
- Life Par Funds	-	-	10,542	9,392	-	-	(10,542)	(9,392)
- Life Non-Par Funds	-	-	195,146	281,449	-	-	(195,146)	(281,449)
Profit before tax from continuing operations	386,079	467,666	358,482	451,578	27,597	16,088	-	-
Taxation	(103,128)	(124,213)	(74,526)	(96,130)	(28,602)	(28,083)	-	-
Net profit for the year from continuing operations	282,951	343,453	283,956	355,448	(1,005)	(11,995)	-	-
Net profit for the year from discontinued operation	1,005	11,995	-	-	1,005	11,995	-	-
Net profit for the year	283,956	355,448	283,956	355,448	-	-	-	-

ETIQA INSURANCE BERHAD
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50. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:								
Operating activities	(1,483,711)	264,301	107,161	78,637	(109,507)	(62,089)	(1,481,365)	247,753
Investing activities	1,877,285	(286,226)	283,100	(58,077)	97,017	48,156	1,497,168	(276,305)
Financing activities	(390,626)	(20,763)	(390,626)	(20,763)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	2,948	(42,688)	(365)	(203)	(12,490)	(13,933)	15,803	(28,552)
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial year	71,708	139,548	3,145	3,348	42,664	81,749	25,899	54,451
Attributable to disposal group held for sale (Note 16)	-	(25,152)	-	-	-	(25,152)	-	-
Cash and cash equivalents at end of financial year	74,656	71,708	2,780	3,145	30,174	42,664	41,702	25,899