Building a better working world

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

Directors' Report and Audited Financial Statements
31 December 2013

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 2013.

PRINCIPAL ACTIVITIES

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

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	383,246

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 dividends paid by the Company since 31 December 2012 was as follows:

	RM'000
In respect of financial year ended 31 December 2013:	
Interim dividend of 394.5 sen per share, net of 25% tax on 152,151,399 ordinary shares, declared on 26 November 2013	450,178

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

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")

The 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	(Appointed on 23 September 2013)
Hans J. J. De Cuyper	(Resigned on 28 February 2013)
Mohamed Nor Abdul Hamid	(Resigned on 16 May 2013)

Pursuant to Article 98 of the Company's Articles of Association, Y. Bhg. Dato' Mohd Salleh Hj Harun and Y. Bhg. Dato' Johan Ariffin shall retire at the forth coming Annual General Meeting ("AGM") of the Company and being eligible, offer themselves for re-election.

Pursuant to Article 104 of the Company's Articles of Association, Mr. Koh Heng Kong shall retire at the forthcoming AGM of the Company and being eligible, offers himself for re-election.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised in 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.

CORPORATE GOVERNANCE (CONTD.)

(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/GL/003-1: Minimum Standards for Prudential Management of Insurers (Consolidated) and other directives. It complies with the tenets of corporate governance by adopting best practices as stipulated under BNM/RH/GL/003-2: 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.

The Company has an organisational structure disclosing all reporting lines as well as clear 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 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)	7/8	88
Dato' Johan Ariffin	7/8	88
Zainal Abidin Jamal	7/8	88
Datuk R. Karunakaran	8/8	100
Loh Lee Soon	7/8	88
Frank J.G Van Kempen	7/8	88
Koh Heng Kong (Appointed on 23 September 2013)	3/3	100
Hans J. J. De Cuyper (Resigned on 28 February 2013)	1/1	100
Mohamed Nor Abdul Hamid (Resigned on 16 May 2013)	3/3	100

CORPORATE GOVERNANCE (CONTD.)

(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 38.

(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, ensure 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 holding company, Maybank Ageas Holdings Berhad ("MAHB")'s level. The composition and the attendance of the directors are as follows:

	Number of AC meetings attended	**%**
Loh Lee Soon (Chairman) Independent Non-Executive Director	4/4	100
Gary Lee Crist Non-Independent Non-Executive Director	4/4	100
Koh Heng Kong (Appointed on 23 September 2013) Independent Non-Executive Director	1/1	100

CORPORATE GOVERNANCE (CONTD.)

(d) Internal controls and audit (Contd.)

	Number of AC meetings attended	%
Datuk Dr. Syed Othman Syed Hussin Alhabshi (Retired on 11 July 2013) Independent Non-Executive Director	2/2	100
Zainal Abidin Jamal (Appointed on 12 July 2013, resigned on 31 December 2013) Non-Independent Non-Executive Director	2/2	100

The AC met 4 times during the year.

(e) Risk Management

The Board established 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, enterprise and shariah 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.

CORPORATE GOVERNANCE (CONTD.)

(e) Risk Management (Contd.)

The composition of the RMC established at MAHB is as follows:

	Number of RMC meetings attended	%
Datuk R. Karunakaran (Chairman) (Redesignated as Chairman on 18 June 2013) Independent Non-Executive Director	7/7	100
Gary Lee Crist Non-Independent Non-Executive Director	7/7	100
Koh Heng Kong (Appointed on 23 September 2013) Independent Non-Executive Director	3/3	100
Mohamed Nor Abdul Hamid (Resigned on 16 May 2013) Independent Non-Executive Director	3/3	100
Dato' Johan Ariffin (Appointed on 18 June 2013, resigned on 31 December 2013) Independent Non-Executive Director	3/3	100

The RMC met 7 times during the year.

(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 merged committee on 27 May 2010 of the ultimate holding company, 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 Chief Executive Officer ("CEO") as well as assessment of effectiveness of individual directors, board as a whole and the performance of the CEO and key senior management officers.

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

CORPORATE GOVERNANCE (CONTD.)

(f) Nomination and Remuneration Committee (Contd.)

The composition of the NRC is as follows:

	Number of NRC meetings attended	%
Dato' Mohd Salleh Hj Harun Independent Non-Executive Director	12/12	100
Tan Sri Dr Hadenan A Jalil Independent Non-Executive Director	12/12	100
Zainal Abidin Jamal Non-Independent Non-Executive Director	12/12	100
Dato' Dr Tan Tat Wai Independent Non-Executive Director	11/12	92
Alister Maitland (Retired on 28 March 2013) Independent Non-Executive Director	3/3	100

The NRC met 12 times during the year.

(g) Investment Committee

The Investment Committee ("IC") reports to the Board of *Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB")*, under MAHB.

The objectives of the IC include, 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, 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"), to test the policy conducted by the investment manager against the strategic and tactical investment policy, to evaluate, review and maintain the Investment Management Guidelines ("IMG"), based on ALCO's advice, to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries; to assess investment performance of proprietary portfolios and unit linked funds, and to discuss peer review on investment performance.

CORPORATE GOVERNANCE (CONTD.)

(g) Investment Committee (Contd.)

The composition of the IC is as follows:

	Number of IC meetings attended	%
Datuk Abdul Farid Alias (Chairman) (Appointed on 25 November 2013) Non-Independent Executive Director	-	-
Datuk R. Karunakaran Independent Non-Executive Director	2/2	100
Frank J.G Van Kempen (Appointed on 25 June 2013) Non-Independent Non-Executive Director	-	-
Dato' Sri Abdul Wahid Omar (Chairman) (Resigned on 4 June 2013) Non-Independent Non-Executive Director	1/2	50
Datuk Dr. Syed Othman Syed Hussin Alhabshi (Resigned on 11 July 2013) Independent Non-Executive Director	2/2	100

The IC met 2 times during the year.

(h) Board Oversight Committee for Land Development

The Board Oversight Committee for Land Development ("BOC") was established on 19 April 2012. The BOC 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 will need to approve as well as review and monitor property development activities endorsed by the PDSC.

The BOC reports to the Board.

CORPORATE GOVERNANCE (CONTD.)

(h) Board Oversight Committee for Land Development (Contd.)

The composition of the BOC is as follows:

	Number of BOC meetings attended	%
Dato' Johan Ariffin (Chairman) Independent Non-Executive Director	7/7	100
Datuk R. Karunakaran Investment Committee Member	6/7	86
Loh Lee Soon Non-Executive Board Member	7/7	100
Hans J. J. De Cuyper (Resigned on 28 February 2013) Executive Board Member Chief Executive Officer of MAHB	-	-

BOC met 7 times during the year.

(i) Public accountability

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

(j) Financial reporting

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

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.

DIRECTORS' BENEFITS (CONTD.)

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, or the fixed salary of a full-time employee of the Company as disclosed in Notes 31 and 38) 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.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the ultimate holding company, MBB during the financial year were as follows:

	Number of Ordinary Shares of RM1 each			
	1 January 2013	**DRP***	**Bought**	**31 December 2013**
Ultimate holding company: MBB				
Direct interest:				
Dato' Mohd Salleh Hj Harun	322,651	14,748	-	337,399
Dato' Johan Ariffin	160,473	8,294	81,159	249,926

* 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.

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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to 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.

(iii) to ascertain that there was adequate 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.

OTHER STATUTORY INFORMATION (CONTD.)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the 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 financial statements of the Company which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the 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

There were no significant events during the financial year other than as disclosed in Note 44 to the financial statements.

9557 T

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 14 February 2014.

DATO' MOHD SALLEH HJ HARUN

LOH LEE SOON

Kuala Lumpur, Malaysia
14 February 2014

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Dato' Mohd Salleh Hj Harun and Loh Lee Soon, 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 148 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 2013 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 February 2014.

DATO' MOHD SALLEH HJ HARUN

LOH LEE SOON

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

I, Kamaludin Ahmad, being the officer primarily responsible for the financial management of Etiqa Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 148 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed KAMALUDIN AHMAD
at Kuala Lumpur in Wilayah
Persekutuan on 14 February 2014

KAMALUDIN AHMAD

Before me,

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
MALAYSIA

Commissioner for Oaths

No. 10-2, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur

EY
Building a better working world

Ernst & Young AF:0039
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

9557 T

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

Report on the financial statement

We have audited the financial statement of Etiqa Insurance Berhad, which comprise the statement of financial position as at 31 December 2013 of the Company, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 148.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of 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 judgment, 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 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.

Building a better
working world

9557 T

Independent auditors' report to the member of
Etiqa Insurance Berhad (Cont'd)
(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 2013 and of its financial performance and cash flows for the year ended 31 December 2013 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
Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 2937/09/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
14 February 2014

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)
Assets:				
Property, plant and equipment	3	112,934	111,087	110,304
Investment properties	4	574,536	569,704	515,070
Prepaid land lease payments	5	19,874	20,341	20,644
Intangible assets	6	23,119	25,827	28,462
Investment in associate	8	152	152	152
Investments	9	12,951,711	13,265,325	12,521,592
Financing receivables	11	267,131	266,379	276,092
Reinsurance assets	12	1,711,403	1,690,576	1,440,136
Insurance receivables	13	198,463	371,823	278,332
Other receivables	14	230,574	248,297	170,294
Derivatives	15	10,227	688	33,007
Current tax assets		39,226	6,602	97,439
Cash and bank balances		139,548	159,820	129,372
Total Assets		16,278,898	16,736,621	15,620,896
Equity:				
Share capital	16	152,151	152,151	152,151
Reserves	17	2,337,224	2,442,451	2,391,279
Total Equity		2,489,375	2,594,602	2,543,430
Liabilities:				
Insurance contract liabilities	18	12,285,316	12,637,370	12,014,207
Subordinated obligation	19	500,000	-	-
Deferred tax liabilities,net	20	435,198	429,499	414,642
Insurance payables	21	211,556	405,177	331,663
Other payables	22	347,270	295,472	261,192
Interest payable for subordinated obligation	19	10,183	-	-
Dividend payable		-	350,329	-
Current tax liabilities		-	24,172	55,762
Total Liabilities		13,789,523	14,142,019	13,077,466
Total Equity and Liabilities		16,278,898	16,736,621	15,620,896

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000 (Restated)
Operating revenue	23	3,065,493	3,358,476
Gross earned premiums	24(a)	2,442,072	2,830,263
Earned premiums ceded to reinsurers	24(b)	(841,392)	(852,614)
Net earned premiums		1,600,680	1,977,649
Fee and commission income	25	65,297	59,727
Investment income	26	610,970	588,088
Realised gains	27	395,622	261,158
Fair value (losses)/gains	28	(266,646)	13,511
Other operating revenue, net	29	155	41,744
Other revenue		805,398	964,228
Gross benefits and claims paid	30(a)	(2,043,404)	(1,821,877)
Claims ceded to reinsurers	30(b)	220,452	248,789
Gross change in contract liabilities	30(c)	385,612	(658,321)
Change in contract liabilities ceded to reinsurers	30(d)	8,261	314,115
Net benefits and claims		(1,429,079)	(1,917,294)
Management expenses	31	(297,412)	(301,021)
Fee and commission expenses	32	(185,250)	(209,153)
Interest on subordinated obligation	19	(10,183)	-
Taxation of life fund	33	(31,061)	(43,999)
Other expenses		(523,906)	(554,173)
Profit before tax		453,093	470,410
Taxation	33	(69,847)	(102,869)
Net profit for the year		383,246	367,541
Earnings per share (sen)			
Basic	34	251.89	241.56

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000 (Restated)
Net profit for the year		383,246	367,541
Other comprehensive income:			
Items that may be subsequently reclassified to income statement			
Change in value of AFS financial assets, net			
- Fair value changes		233,847	220,186
- Transfer to profit or loss upon disposal	27	(276,941)	(164,858)
- Fair value adjust for AFS financial asset backing Participating Fund		(22,840)	(25,170)
Tax effect relating to AFS financial assets	33	15,050	(7,822)
		(50,884)	22,336
Currency translation differences		12,589	11,624
Other comprehensive (loss)/income for the year, net of tax		(38,295)	33,960
Total comprehensive income for the year		344,951	401,501

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	<----	Non-distributable	----	---->		Retained Earnings			
	Share Capital RM'000	Share Premium RM'000	Available-for-Sale Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-distributable Non-Participating Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	Total Equity RM'000
At 1 January 2013 (as previously stated)	152,151	17,728	122,486	11,647	12,561	1,010,380	1,247,388	2,257,768	2,574,341
Effect due to prior year adjustment	-	-	-	-	-	-	20,261	20,261	20,261
At 1 January 2013 (as restated)	152,151	17,728	122,486	11,647	12,561	1,010,380	1,267,649	2,278,029	2,594,602
Total Comprehensive Income	-	-	(50,884)	-	12,589	178,347	204,899	383,246	344,951
Dividend on ordinary shares	-	-	-	-	-	-	(450,178)	(450,178)	(450,178)
At 31 December 2013	152,151	17,728	71,602	11,647	25,150	1,188,727	1,022,370	2,211,097	2,489,375
At 1 January 2012 (as previously stated)	152,151	17,728	100,150	11,647	937	985,439	1,275,555	2,260,994	2,543,607
Effect due to prior year adjustment	-	-	-	-	-	-	(177)	(177)	(177)
At 1 January 2012 (as restated)	152,151	17,728	100,150	11,647	937	985,439	1,275,378	2,260,817	2,543,430
Total Comprehensive Income	-	-	22,336	-	11,624	197,441	170,100	367,541	401,501
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary[1]	-	-	-	-	-	(172,500)	172,500	-	-
Dividend on ordinary shares	-	-	-	-	-	-	(350,329)	(350,329)	(350,329)
At 31 December 2012 (as restated)	152,151	17,728	122,486	11,647	12,561	1,010,380	1,267,649	2,278,029	2,594,602

[1] In accordance with the Financial Services Act 2013, the unallocated surplus of the Non-Participating ("non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. The approved transfer from the non-Par fund unallocated surplus for the financial years ended 31 December 2013 and 31 December 2012 were NIL and RM230,000,000 (NIL and RM172,500,000, net of tax at 25%) respectively.

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

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	453,093	470,410
Adjustments for:		
Taxation of life fund	31,061	43,999
Depreciation of property, plant and equipment	11,566	8,300
Amortisation of intangible assets	11,428	9,544
Fair value loss on investment	269,436	35,404
Fair value gain on investment properties	(2,790)	(48,915)
Amortisation of prepaid land lease payments	303	303
Amortisation of premium/(accretion of discounts) on investments	1,409	(8,364)
Gain on disposal of property, plant and equipment	-	(102)
Gain on disposal of investment properties	-	(140)
Net gain on foreign exchange	(6,803)	(41,271)
Allowance for impairment of reinsurance assets	36	-
Allowance/(write back) of impairment of insurance receivables	3,010	(22,031)
Bad debt written off	907	6,854
Write back of impairment of other receivables	(224)	(3,396)
Allowance for impairment of financing receivables	408	487
Intangible assets adjustment	310	-
Property, plant and equipment adjustment	-	250
Net gain on disposal of investments	(395,622)	(260,916)
Interest income	(526,169)	(498,194)
Impairment on investments	4,817	22,039
Impairment of property, plant and equipment	58	-
Impairment of prepaid land lease payments	164	-
Gross dividend income	(60,048)	(58,259)
Rental income	(29,149)	(28,215)
Loss from operations before changes in operating assets and liabilities	(232,799)	(372,213)
Changes in working capital:		
Increase in reinsurance assets	(20,863)	(250,440)
Decrease/(increase) in insurance receivables	169,483	(76,281)
Decrease/(increase) in other receivables	19,865	(63,521)
(Increase)/decrease in financing receivables	(1,160)	9,264
Increase in amounts due from related parties	(531)	(7,984)
Increase in other payables	61,865	38,047
(Decrease)/increase in insurance contract liabilities	(373,333)	598,444
(Decrease)/increase in insurance payables	(193,621)	73,514
Carried forward	(571,094)	(51,170)

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)

	2013 RM'000	2012 RM'000 (Restated)
Brought forward	(571,094)	(51,170)
(Increase)/decrease in LAR	(390,680)	351,930
Interest income received	531,187	478,738
Dividend income received	53,368	60,993
Rental income received	28,820	34,646
Currency translation reserve	12,589	11,627
Cash (used in)/generated from operations	(335,810)	886,764
Tax paid	(138,636)	(81,104)
Net cash (used in)/generated from operating activities	(474,446)	805,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	8,316,108	4,380,558
Purchase of investments	(7,536,932)	(5,134,096)
Proceeds from sale of property, plant and equipment	666	2,140
Proceeds from sale of investment property	-	421
Purchase of investment properties	(2,042)	(6,000)
Purchase of property, plant and equipment	(11,651)	(11,069)
Purchase of intangible assets	(11,468)	(7,166)
Net cash generated from/(used in) investing activities	754,681	(775,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(800,507)	-
Proceeds from issuance of subordinated obligation	500,000	-
Net cash used in financing activity	(300,507)	-
Net (decrease)/increase in cash and cash equivalents	(20,272)	30,448
Cash and cash equivalents at beginning of year	159,820	129,372
Cash and cash equivalents at end of year	139,548	159,820
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	85,097	86,529
Life insurance fund	54,451	73,291
	139,548	159,820

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

1. CORPORATE INFORMATION

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

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

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

The holding and ultimate holding companies of the Company are 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 14 February 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

At the beginning of the current financial year, the Company had adopted all new and revised MFRSs, amendments to MFRS and Issues Committee ("IC") Interpretations effective for annual periods beginning on or after 1 January 2013 as described fully in Note 2.4. The adoption of these new and revised MFRs, amendments to MFRS and IC Interpretations did not result in any significant impact to the financial position or performance of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (Contd.)

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.

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

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 asset, 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 recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

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

Work-in-progress 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 assets begins.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Property, Plant and Equipment and Depreciation (Contd.)

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	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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ii) Investment Properties (Contd.)

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

Amortisation is charged to 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Intangible Assets (Contd.)

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 4 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

(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 an interest in a joint-venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Company's financial statements, 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

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

As permitted under MFRS128 *Investments in Associates*, the investment in associate has not been accounted by applying the equity method as the holding company, MAHB produces financial statements that comply with MFRS.

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

(a) Financial assets at FVTPL

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

Financial assets can only be designated at FVTPL if upon initial recognition 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. For the accounting policies with respect to insurance receivables and reinsurance assets, refer to 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 cost 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 have transferred substantially all the risks and rewards of the financial asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the 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 commit 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 unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instrument that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are stated at cost and assessed for impairment at each reporting date.

For financial assets where there is no active market 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") on theoretical fair value of fixed income instruments. In case of any downgraded or defaulted bond, internal valuation will be performed to determine the fair value of the bond. The fair values of structured deposits are based on market prices obtained from respective issuers. The market value of Negotiable Certificate of Deposits ("NCD") are determined by reference to BNM's (rate on) Interest Rate Swap.

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 respective counter parties in accordance with market convention.

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.)

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 as 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 (other than a financial asset at FVTPL) 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(s) 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 consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments.

Insurance 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 risk 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 period. 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 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 event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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 when the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor does it exceed the carrying amount that would have been determined, net of depreciation, 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 their business. Ceded reinsurance arrangements do not relieve the Company from their 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 (xiii) 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 assesses 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 (viii) (a), have been met.

(xi) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise of cash and short-term funds and deposits and placements with financial institutions, with the remaining maturity of less than one month.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xii) Equity Instruments

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

(xiii) Product Classification

The Company issues contracts that contain insurance risk or both insurance underwriting 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 underwriting risk is risk other than financial risk.

An insurance contract is a contract under which an entity has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. 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 underwriting 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 underwriting 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 of insurance underwriting risk becomes significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiii) Product Classification (Contd.)

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF are 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 asset held by the issuer; or
- the profit or loss of the company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the 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 period.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiii) Product Classification (Contd.)

When an insurance contract contains both financial risk (or deposit) and 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.

(xiv) 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. These comprised of the best estimate value of claim liabilities and a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) General insurance contract liabilities (Contd.)

(b) Premium Liabilities (Contd.)

General insurance business

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the 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 short term UPR 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;

  Non-annual policies are time-apportioned over the period of the risks after deducting the commission, 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 end of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) 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 risk 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 computation, the expected cash flows of total guaranteed and non-guaranteed benefits are determined using best estimate assumptions together with the assumption that the current bonus rate to policyholders will be maintained.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) Life Insurance Contract Liabilities (Contd.)

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originating from margins of adverse deviation on run-off 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.

The RBC Framework for Insurers issued by BNM meets the Liability Adequacy Test requirements stipulated under MFRS 4.

(xvi) Financial Liabilities

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

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

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

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

Subsequent to initial recognition, loans and borrowings are recognised at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company have 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) 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.

(xviii) Insurance Payables

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

(xix) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xix) Premium income (Contd.)

(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.

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.

(xx) Benefits and Claims expenses

(a) General insurance business

Claim expenses represent compensation paid or payable on behalf of the insured in relation a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xx) Benefits and Claims expenses (Contd.)

(b) Life insurance business (Contd.)

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.

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

(xxi) 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.

(xxii) Other Revenue Recognition

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

(a) Interest Income

Interest income is recognised using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxii) Other Revenue Recognition (Contd.)

(b) Dividend Income

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

(c) Rental Income

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

(d) 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.

(xxiii) 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.

(xxiv) 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.)

(xxiv) Employee Benefits (Contd.)

(b) Defined Contribution Plans

As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF"). The foreign branches make contributions to respective countries' statutory pension schemes, being the Singapore Central Provident Fund ("CPF") 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 ("ESS")

The ESS 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 Maybank 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 the 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.)

(xxiv) 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.

(xxv) 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.)

(xxv) Foreign Currencies (Contd.)

(b) Foreign Currency Transactions (Contd.)

Monetary assets and liabilities denominated in foreign currencies are translated at the 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 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 financial 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 ("RM") 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 for each income statement 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 foreign currency translation reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxv) 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:

	31.12.2013	31.12.2012	1.1.2012
Singapore Dollar	2.59	2.50	2.44
Brunei Dollar	2.59	2.50	2.44

(xxvi) Income Tax

Income tax on profit or loss for the financial year comprises current and deferred taxes. 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.)

(xxvi) 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 Prior Year Adjustment

Included in the general insurance contract liabilities of the Company are its Incurred But Not Reported ("IBNR") claims as well as the Company's share of the IBNR claims of the Malaysian Motor Insurance Pool ("MMIP") which is a high-risk insurance pool that is shared equally between the general insurance companies in Malaysia.

In determining the general insurance contract liabilities, the claims data used in the valuation specifically excludes claims data in relation to MMIP as the general insurance contract liabilities of MMIP, and consequently the Company's share of those liabilities, are separately performed by an external actuary appointed by MMIP.

During the financial years ended 31 December 2012 and 2011, the computation of the general insurance contract liabilities of the Company had included claims data in relation to MMIP, resulting in an overstatement of the claim liabilities by RM27.0 million and understatement of RM0.2 million as at 31 December 2012 and 2011 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior Year Adjustment (Contd.)

The above overstatement of claim liabilities for the financial year ended 31 December 2012 and understatement for financial year ended 31 December 2011 have been adjusted for retrospectively in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as detailed below:

(a) Statement of financial position as at 1 January 2012

	As previously stated RM'000	Adjustment RM'000	Restated RM'000
Asset			
Reinsurance assets	1,437,421	2,715	1,440,136
Equity and liabilities			
Reserves	2,391,456	(177)	2,391,279
Insurance contract liabilities	12,011,256	2,951	12,014,207
Current tax liabilities	55,821	(59)	55,762

(b) Statement of financial position as at 31 December 2012

	As previously stated RM'000	Adjustment RM'000	Restated RM'000
Asset			
Reinsurance assets	1,691,599	(1,023)	1,690,576
Equity and liabilities			
Reserves	2,422,190	20,261	2,442,451
Insurance contract liabilities	12,665,407	(28,037)	12,637,370
Current tax liabilities	17,419	6,753	24,172

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Prior Year Adjustment (Contd.)

(c) Income statement for the year ended 31 December 2012

	As previously stated RM'000	Adjustment RM'000	Restated RM'000
Gross change to contract liabilities	(689,309)	30,988	(658,321)
Change in contract liabilities ceded to reinsurers	317,853	(3,738)	314,115
Net benefits and claims	(1,944,544)	27,250	(1,917,294)
Profit before tax	443,160	27,250	470,410
Taxation	(96,057)	(6,812)	(102,869)
Net profit for the year	347,103	20,438	367,541

2.4 Standards and interpretation issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in November 2009)*	To be announced by MASB
MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in October 2010)*	To be announced by MASB
MFRS 9 *Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)*	To be announced by MASB
MFRS 9 *Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)*	To be announced by MASB
MFRS 10 *Consolidated Financial Statements - Investment Entities (amendments to MFRS 10)*	1 January 2014
MFRS 12 *Disclosure of interest in Other Entities Investment Entities (amendments to MFRS 12)*	1 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards issued but not yet effective (Contd.)

Description	Effective for annual periods beginning on or after
MFRS 119 *Employee Benefits - Defined Benefits Plans: Employee Contributions* (Amendments to MFRS 119)	1 July 2014
MFRS 127 *Separate Financial Statements Investment Entities* (Amendments to MFRS 127)	1 January 2014
MFRS 132 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)*	1 January 2014
MFRS 136 *Impairment of Assets - Recoverable Disclosures for Non-financial Liabilities (Amendments to MFRS 136)*	1 January 2014
MFRS 139 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 136)*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014
Annual Improvements to MFRS 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRS 2011-2013 Cycle	1 July 2014

MFRS 9 *Financial Instruments*

MFRS 9 reflects the work on the replacement of MFRS 139 and the first phase applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The first phase of the standard was initially effective for annual periods beginning on to after 1 January 2013, but Amendments to MFRS 9 Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in, March 2012 moved the mandatory effective date to 1 January 2015 (see below for the latest amendment on the mandatory effective date). The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards issued but not yet effective (Contd.)

MFRS 9 *Financial Instruments (Contd.)*

As part of the Amendments issued in February 2014, an entity is now allowed to change the accounting for liabilities that it has to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains or losses caused by a change in the entity's own credit risk on such liabilities are no longer recognised in the profit & loss. The Company currently do not have any financial liabilities measured at fair value other than derivatives and embedded derivatives.

The Amendments in February 2014 also remove the mandatory effective date from MFRS 9. The International Accounting Standards Board ("IASB") has decided that a mandatory date of 1 January 2015 would not allow sufficient time for entities to prepare and to apply the new standard because the second phase of the standard, i.e. the impairment methodology phase of IFRS 9 has not yet been completed. On 24 July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending finalisation of the impairment and classification and measurement requirements. Nevertheless, IFRS 9 would still be available for early adoption.

The Company will quantify the effects of the new standard when the final standard including all phases are issued.

MFRS 136 *Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets (Amendments to MFRS 136)*

These amendments remove the unintended consequences of MFRS 13 on the disclosures required under MFRS 136. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided MFRS 13 is also applied. The Company do not anticipate significant impact to the financial statements upon adoption of these amendments, except for the additional disclosure requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards issued but not yet effective (Contd.)

Annual Improvements to MFRS

The following amendments are effective for annual periods beginning on or after 1 July 2014 with earlier application is permitted.

Annual Improvements to MFRS 2010 - 2012 Cycle

(i) MFRS 13 *Fair Value Measurement*

The amendment relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(ii) MFRS 124 *Related Party Disclosures*

The amendment to MFRS 124 extends the definition of 'related party' to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2.5 Significant Accounting Estimates and Judgements

(a) Critical judgements made in applying accounting policies

The preparation of financial statements requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

(i) Classification between Investment Properties and Property, Plant and Equipment

The Company had developed certain criteria based on MFRS 140 in making judgement whether a property qualifies to be classified as an investment property. Investment properties are properties held to earn rental income or for capital appreciation or both.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(a) Critical judgements made in applying accounting policies (Contd.)

(i) Classification between Investment Properties and Property, Plant and Equipment (Contd.)

Some properties comprise a portion that is held to earn rental income or for capital appreciation and another portion that is held for use in the production or supply of good or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(ii) Impairment of AFS Financial Assets

Significant judgement is required to assess impairment for Available-for-Sale investments. The Company evaluates the duration and extent to which the fair value of an investment is less than cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(iii) Impairment of Receivables

The Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28). According to the Guidelines, objective evidence of impairment is deemed to exist where the receivables that are individually assessed for impairment is past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the receivables and default or significant delays in payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of Property, Plant and Equipment

The cost of a building's plant and equipment for example, elevators, lifts and others and the self-occupied properties are depreciated on a straight line basis over the estimated remaining useful lives. The Company estimates the useful lives of these plant and equipment to be within 5 to 10 years.

The cost of self-occupied buildings are depreciated on a straight-line basis. The Company estimates the useful lives to be 50 years for freehold buildings or the earlier of 50 years or the lease period for leasehold buildings.

(ii) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent valuers who hold a recognised and relevant professional qualification and recent experience in the locations and category of the properties being valued.

(iii) Amortisation and Impairment of Other Intangible Assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each reporting date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with their recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Uncertainty in Accounting Estimates

General insurance business

The principal uncertainty in the general business arises from the technical provisions which include the premium liabilities and claim liabilities. The bases of valuation of these liabilities is explained in Note 2.2(xv).

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as inflation, judicial interpretations, legislative changes and claims handling procedures.

The estimation basis for unearned premium reserves are explained in the related accounting policy statement, whilst claim liabilities comprise provision for outstanding claims, IBNR and IBNER. Generally, claim liabilities are determined based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedure. It is certain that actual, future contribution and claim liabilities will not exactly develop as projected and they vary from the projections.

The estimates of the premium liabilities and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

Life insurance business

There are several sources of uncertainty that need to be considered in the estimation of life insurance contract liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Uncertainty in Accounting Estimates (Contd.)

Life insurance business (Contd.)

Life insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance contract liabilities are 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 risk discount rate. This method is known as the gross premium valuation method.

The main assumptions used for life insurance business relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates.

These estimates, adjusted when appropriate to reflect the Company's unique risk exposures, provide the basis for the valuation of future policy benefits payable.

(v) Deferred taxation

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the date of the statement of financial position. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the year in which actual realisation and settlement occurs.

Deferred tax assets are recognised in respect of tax losses to the extent that is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT

31.12.2013	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
Cost							
At 1 January 2013	121,715	45,552	3,056	22,612	798	2,712	196,445
Additions	-	5,341	1,606	4,130	-	574	11,651
Disposals	-	(740)	(1)	-	-	(65)	(806)
Reclassified from intangible assets (Note 6)	-	-	2,441	-	-	-	2,441
Reclassification	-	33	153	2,461	-	(2,647)	-
Translation differences	115	88	(44)	-	14	-	173
At 31 December 2013	121,830	50,274	7,211	29,203	812	574	209,904
Accumulated Depreciation and Impairment Losses							
At 1 January 2013	33,804	29,696	1,847	19,363	648	-	85,358
Charge for the year	2,385	6,001	2,107	954	119	-	11,566
Impairment loss	58	-	-	-	-	-	58
Disposals	-	(140)	-	-	-	-	(140)
Reclassification	-	(2)	2	-	-	-	-
Translation differences	86	83	(53)	-	12	-	128
At 31 December 2013	36,333	35,638	3,903	20,317	779	-	96,970
Net Book Value at 31 December 2013	85,497	14,636	3,308	8,886	33	574	112,934

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

31.12.2012	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
Cost							
At 1 January 2012	121,643	101,242	98,426	29,100	1,121	1,556	353,088
Additions	-	6,351	688	1,063	-	2,967	11,069
Disposals	-	(62,175)	(92,371)	(7,551)	(338)	(1,811)	(164,246)
Reclassified to intangible assets (Note 6)	-	-	(3,381)	-	-	-	(3,381)
Adjustments	-	80	(330)	-	-	-	(250)
Translation differences	72	54	24	-	15	-	165
At 31 December 2012	121,715	45,552	3,056	22,612	798	2,712	196,445
Accumulated Depreciation and Impairment Losses							
At 1 January 2012	31,535	86,296	97,526	26,571	856	-	242,784
Charge for the year	2,219	5,307	313	343	118	-	8,300
Disposals	-	(61,958)	(92,365)	(7,551)	(334)	-	(162,208)
Reclassified to intangible assets (Note 6)	-	-	(3,642)	-	-	-	(3,642)
Translation differences	50	51	15	-	8	-	124
At 31 December 2012	33,804	29,696	1,847	19,363	648	-	85,358
Net Book Value at 31 December 2012	87,911	15,856	1,209	3,249	150	2,712	111,087

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
31.12.2013				
Cost				
At 1 January 2013	3,620	8,010	110,085	121,715
Translation differences	-	-	115	115
At 31 December 2013	3,620	8,010	110,200	121,830
Accumulated Depreciation and Impairment Losses				
At 1 January 2013	-	5,256	28,548	33,804
Charge for the year	-	183	2,202	2,385
Impairment loss	55	3	-	58
Translation differences	-	-	86	86
At 31 December 2013	55	5,442	30,836	36,333
Net Book Value at 31 December 2013	3,565	2,568	79,364	85,497
31.12.2012				
Cost				
At 1 January 2012	3,620	8,010	110,013	121,643
Translation differences	-	-	72	72
At 31 December 2012	3,620	8,010	110,085	121,715
Accumulated Depreciation and Impairment Losses				
At 1 January 2012	-	5,238	26,297	31,535
Charge for the period	-	18	2,201	2,219
Translation differences	-	-	50	50
At 31 December 2012	-	5,256	28,548	33,804
Net Book Value at 31 December 2012	3,620	2,754	81,537	87,911

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
31.12.2013				
At 1 January 2013	418,753	144,951	6,000	569,704
Addition	-	-	2,042	2,042
Fair value adjustment	(5,889)	8,679	-	2,790
At 31 December 2013	412,864	153,630	8,042	574,536
31.12.2012				
At 1 January 2012	398,340	116,730	-	515,070
Addition	-	-	6,000	6,000
Disposal	(281)	-	-	(281)
Fair value adjustment	20,694	28,221	-	48,915
At 31 December 2012	418,753	144,951	6,000	569,704

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 valuation that reflects market conditions at the end of the reporting period. The fair value of investment properties are categorised under Level 2 of the fair value hierarchy. Valuations were performed by an accredited independent valuer. The valuations were mainly based on the market approach that makes reference to comparable properties which have been sold or are being offered for sale.

The IPUC as at 31 December 2013 is stated at cost less impairment as the fair value is not reliably determinable.

5. PREPAID LAND LEASE PAYMENTS

	31.12.2013 RM'000	31.12.2012 RM'000
Cost		
At 1 January/31 December	24,018	24,018
Accumulated amortisation and impairment		
At 1 January	3,677	3,374
Amortisation for the year	303	303
Impairment loss	164	-
At 31 December	4,144	3,677
Net book value at 31 December	19,874	20,341

6. INTANGIBLE ASSETS

31.12.2013	Computer Software RM'000	Software Development RM'000	Total RM'000
Cost			
At 1 January 2013	38,738	1,028	39,766
Additions	11,468	-	11,468
Adjustment	-	(310)	(310)
Reclassified to property, plant and equipment (Note 3)	(1,723)	(718)	(2,441)
Translation differences	35	-	35
At 31 December 2013	48,518	-	48,518
Accumulated Amortisation			
At 1 January 2013	13,939	-	13,939
Amortisation for the year	11,428	-	11,428
Translation differences	32	-	32
At 31 December 2013	25,399	-	25,399
Net book value at 31 December 2013	23,119	-	23,119

6. INTANGIBLE ASSETS (CONTD.)

	Computer Software RM'000	Software Development RM'000	Total RM'000
31.12.2012			
Cost			
At 1 January 2012	67,034	6,464	73,498
Additions	7,166	-	7,166
Write off	(44,301)	-	(44,301)
Reclassified from property, plant and equipment (Note 3)	8,817	(5,436)	3,381
Translation differences	22	-	22
At 31 December 2012	38,738	1,028	39,766
Accumulated Amortisation			
At 1 January 2012	45,036	-	45,036
Amortisation for the year	9,544	-	9,544
Write off	(44,301)	-	(44,301)
Reclassified from property, plant and equipment (Note 3)	3,642	-	3,642
Translation differences	18	-	18
At 31 December 2012	13,939	-	13,939
Net book value at 31 December 2012	24,799	1,028	25,827

7. INVESTMENT IN SUBSIDIARY

	31.12.2013	31.12.2012
Unquoted shares, at cost	RM1	RM1
No. of shares	1	1

7. INVESTMENT IN SUBSIDIARY (CONTD.)

Name of company	Principal activity	Effective interest (%) 31.12.2013	Effective interest (%) 31.12.2012
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

	31.12.2013 RM'000	31.12.2012 RM'000
Unquoted shares, at cost	152	152

Name of company	Principal activity	Effective interest (%) 31.12.2013	Effective interest (%) 31.12.2012
Asian Forum Inc. (Incorporated in Federal Territory of Labuan, Malaysia)	Offshore captive insurance	33.33	33.33

9. INVESTMENTS

	31.12.2013 RM'000	31.12.2012 RM'000
Malaysian government papers	566,230	574,351
Singapore government securities	38,211	31,779
Debt securities	7,672,726	8,455,647
Equity securities	1,909,300	2,028,617
Unit and property trust funds	238,959	174,348
Irredeemable Loan Stock	10,548	22,574
Structured products (Note 10)	945,076	523,025
Negotiable certificates of deposit	253,546	528,549
Deposits with financial institutions	1,317,115	926,435
	12,951,711	13,265,325

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

	31.12.2013 RM'000	31.12.2012 RM'000
Available-for-sale ("AFS")	3,173,701	3,262,238
Fair value through profit and loss ("FVTPL")		
- designated upon initial recognition at FVTPL	6,994,257	7,975,216
- held for trading ("HFT")	1,466,638	1,101,436
Loans and receivables ("LAR")	1,317,115	926,435
	12,951,711	13,265,325

The carrying value of investments maturing after 12 months are as follows:

	31.12.2013 RM'000	31.12.2012 RM'000
AFS	1,372,306	1,417,929
FVTPL		
- designated upon initial recognition	6,550,600	7,405,146
- HFT	909,306	668,695
	8,832,212	9,491,770

9. INVESTMENTS (CONTD.)

	31.12.2013 RM'000	31.12.2012 RM'000
(a) AFS		
Fair value		
Malaysian government papers	128,220	28,391
Singapore government securities	38,211	31,779
Debt securities:		
Quoted outside Malaysia	58,356	58,000
Unquoted in Malaysia	1,146,629	1,247,987
Unquoted outside Malaysia	25,314	27,913
Equity securities:		
Quoted in Malaysia	1,292,111	1,504,633
Quoted outside Malaysia	21,034	9,390
Unquoted in Malaysia	102,251	102,252
Unit and property trust funds:		
Quoted in Malaysia	25,730	28,969
Quoted outside Malaysia	145,226	72,685
Unquoted in Malaysia	49,990	54,302
Irredeemable Loan Stock	10,548	22,574
Structured products (Note 10)	99,785	37,706
Negotiable certificates of deposit	30,296	35,657
Total AFS financial assets	3,173,701	3,262,238

(b) FVTPL

	31.12.2013 RM'000	31.12.2012 RM'000
(i) Designated upon initial recognition		
Fair value		
Malaysian government papers	371,683	470,719
Debt securities:		
Unquoted in Malaysia	6,104,138	6,808,071
Unquoted outside Malaysia	46,355	-
Structured products (Note 10)	263,961	218,813
Negotiable certificates of deposit	208,120	477,613
	6,994,257	7,975,216

9. INVESTMENTS (CONTD.)

(b) FVTPL (Contd.)

	31.12.2013 RM'000	31.12.2012 RM'000
(ii) HFT		
Fair value		
Malaysian government papers	66,327	75,240
Debt securities:		
Unquoted in Malaysia	291,934	313,677
Equity securities		
Quoted in Malaysia	493,904	412,342
Unit and property trust funds:		
Quoted in Malaysia	796	278
Quoted outside Malaysia	17,217	18,114
Structured products (Note 10)	581,330	266,505
Negotiable certificates of deposit	15,130	15,280
	1,466,638	1,101,436
Total FVTPL financial assets	8,460,895	9,076,652

(c) LAR

	31.12.2013 RM'000	31.12.2012 RM'000
Fixed and call deposits with:		
Licensed banks	1,275,003	911,288
Other financial institutions	42,112	15,147
Total LAR financial assets	1,317,115	926,435
	12,951,711	13,265,325

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

Fair Value of Financial Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of Investments are further disclosed in Note 42(a) to the financial statements.

Included in the AFS financial assets are assets pledged to obtain a banking facility from MBB which amounted to RM45,760,000 (31.12.2012: RM45,760,000).

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:

	<-------- 31.12.2013 --------->		<-------- 31.12.2012 ------->	
	Principal/ Notional Amount RM'000	**Net Carrying Amount RM'000**	**Principal/ Notional Amount RM'000**	**Net Carrying Amount RM'000**
Products categorised as FVTPL				
Structured deposits	475,000	460,368	225,000	218,125
Credit-linked notes	423,700	386,954	270,500	261,960
Index linked note	33,663	4,755	30,198	4,545
Bifurcated derivative relating to structured deposits of Shareholder's/General Fund *		(6,786)		689
		845,291		485,319
Products categorised as AFS				
Structured deposits *:				
Host contract	95,000	99,785	40,000	37,706
		99,785		37,706
Total structured products		945,076		523,025

* 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

	31.12.2013 RM'000	31.12.2012 RM'000
Policy/automatic premium loans	229,183	228,982
Staff loans:		
Secured	35,675	33,333
Unsecured	47	70
Non staff	12,698	13,450
Interest in suspense	(7,688)	(7,080)
Allowance for impairment losses	(2,784)	(2,376)
	267,131	266,379
Receivable after 12 months	69,672	65,493

The above balances are interest bearing. The carrying amounts approximate fair value as the effect of discounting is not material.

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

	31.12.2013	31.12.2012
Policy/automatic premium loans	8.00%	8.00%
Staff loans	3.14%	3.14%
Non-staff loans	6.53%	6.53%

12. REINSURANCE ASSETS

	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)
Reinsurers' share of:			
- Life insurance contract liabilities (Note 18)	27,649	33,813	36,958
- General insurance contract liabilities (Note 18)	1,683,790	1,656,763	1,403,178
	1,711,439	1,690,576	1,440,136
- Allowance for impairment	(36)	-	-
	1,711,403	1,690,576	1,440,136

13. INSURANCE RECEIVABLES

	31.12.2013 RM'000	31.12.2012 RM'000
Due premiums including agents/brokers and co-insurers balances	173,435	154,959
Due from reinsurers and cedants	56,503	245,304
	229,938	400,263
Allowance for impairment losses	(31,475)	(28,440)
	198,463	371,823

14. OTHER RECEIVABLES

	31.12.2013 RM'000	31.12.2012 RM'000
Amount due from stockbrokers	25,165	70,060
Share of net assets in Motor Insurance Pool ("MMIP")	33,171	22,983
Sundry receivables, deposits and prepayments	33,912	19,070
Allowance for impairment losses	(372)	(372)
	33,540	18,698
Income due and accrued	133,782	131,856
Allowance for impairment losses	(177)	(401)
	133,605	131,455
Amount due from related companies :		
- Ultimate holding company	1,694	-
- Other related companies	3,399	5,101
	5,093	5,101
TOTAL	230,574	248,297

The carrying amounts (other than prepayments) approximate fair values due to the relatively short-term maturity of these balances. Amount due from related companies is both trade and non-trade in nature, unsecured, interest-free and repayable on demand.

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.

	31.12.2013				31.12.2012			
	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)	Net Carrying Amount RM'000 (A) - (B)	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)	Net Carrying Amount RM'000 (A) - (B)
Hedging derivatives:								
Forward foreign exchange contract	55,866	4	304	(300)	25,879	419	-	419
Cross Currency Swap	65,526	20	2,747	(2,727)	23,471	183	-	183
		24	3,051	(3,027)		602	-	602
Non-hedging derivatives:								
Non-current								
Commodity Option	220,929	4	-	4	220,929	86	-	86
Equity Options	370,577	13,250	-	13,250		-	-	-
		13,254	-	13,254		86	-	86
Total derivatives		13,278	3,051	10,227		688	-	688

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 42(a) to the financial statements.

15. DERIVATIVES (CONTD.)

For hedging derivatives:

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investment. The 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.

For Non-hedging derivatives:

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Company purchases options that provide the Company with the opportunity to purchase (call option) the underlying asset at an agreed-upon value on the expiration of the option. 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. SHARE CAPITAL

	<----- Number of shares ----->		<----------- Amount ----------->	
	31.12.2013 '000	31.12.2012 '000	31.12.2013 RM'000	31.12.2012 RM'000
Authorised:				
Ordinary shares of RM1.00 each				
At beginning and end of year	500,000	500,000	500,000	500,000
Issued and Paid-up:				
Ordinary shares of RM1.00 each				
At beginning and end of year	152,151	152,151	152,151	152,151

17. RESERVES

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

(ii) The AFS reserve arose from the changes in the fair value of the investment assets of the shareholder's 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 that of the Company's presentation currency.

(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) Non-distributable retained earnings 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.

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

18. INSURANCE CONTRACT LIABILITIES

	<---- 31.12.2013		---->	<---- 31.12.2012		---->	<---- 1.1.2012		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated)	Net RM'000 (Restated)	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated)	Net RM'000 (Restated)
Life insurance (Note A)	9,754,753	(27,649)	9,727,104	10,133,272	(33,813)	10,099,459	9,801,619	(36,958)	9,764,661
General insurance (Note B)	2,530,563	(1,683,790)	846,773	2,504,098	(1,656,763)	847,335	2,212,588	(1,403,178)	809,410
	12,285,316	(1,711,439)	10,573,877	12,637,370	(1,690,576)	10,946,794	12,014,207	(1,440,136)	10,574,071

(A) Life Insurance

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

(i) Life insurance contract liabilities

	<---- 31.12.2013		---->	<---- 31.12.2012		---->	<---- 1.1.2012		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities	59,554	(1,600)	57,954	58,957	(2,698)	56,259	56,841	(2,688)	54,153
Actuarial liabilities	7,290,787	(26,049)	7,264,738	8,147,978	(31,115)	8,116,863	7,897,487	(34,270)	7,863,217
Participating fund unallocated surplus	605,418	-	605,418	441,204	-	441,204	419,543	-	419,543
Participating fund AFS reserve	151,474	-	151,474	130,367	-	130,367	105,650	-	105,650
NAV attributable to unitholders (Note 48)	1,647,520	-	1,647,520	1,354,766	-	1,354,766	1,322,098	-	1,322,098
	9,754,753	(27,649)	9,727,104	10,133,272	(33,813)	10,099,459	9,801,619	(36,958)	9,764,661

18. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities

2013	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	Participating fund AFS reserve RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
As at 1 January	58,957	1,354,766	130,367	8,147,978	441,204	10,133,272	(33,813)	10,099,459
Net earned premiums	-	342,186	-	-	309,090	651,276	-	651,276
Other revenue	-	122,897	-	-	225,774	348,671	-	348,671
Net benefits and claims	597	(162,599)	-	-	(540,963)	(702,965)	1,100	(701,865)
Other expenses	-	(39)	-	-	(74,323)	(74,362)	-	(74,362)
Change in reserve :								
- Discounting	-	-	-	(274,670)	164,236	(110,434)	831	(109,603)
- Assumptions	-	-	-	14,352	8,919	23,271	-	23,271
- Policy movements	-	-	-	(596,873)	88,537	(508,336)	4,233	(504,103)
Changes in AFS reserve	-	-	22,840	-	-	22,840	-	22,840
Taxation (Notes 33 and 48)	-	(9,691)	(1,733)	-	(8,501)	(19,925)	-	(19,925)
Participating fund surplus transferred to shareholder	-	-	-	-	(8,555)	(8,555)	-	(8,555)
As at 31 December	59,554	1,647,520	151,474	7,290,787	605,418	9,754,753	(27,649)	9,727,104

18. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

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

2012	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	Participating fund AFS reserve RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
As at 1 January	56,841	1,322,098	105,650	7,897,487	419,543	9,801,619	(36,958)	9,764,661
Net earned premiums	-	599,884	-	-	321,976	921,860	-	921,860
Other revenue	-	74,384	-	-	342,389	416,773	-	416,773
Net benefits and claims	2,116	(635,603)	-	-	(381,058)	(1,014,545)	(10)	(1,014,555)
Other expenses	-	(49)	-	-	(79,323)	(79,372)	-	(79,372)
Change in reserve :								
- Discounting	-	-	-	139,136	(107,152)	31,984	(250)	31,734
- Assumptions				24,486	(7,270)	17,216	(518)	16,698
- Policy movements	-	-	-	86,869	(44,215)	42,654	3,923	46,577
Changes in AFS reserve	-	-	25,170	-	-	25,170	-	25,170
Taxation (Notes 33 and 48)	-	(5,948)	(453)	-	(15,086)	(21,487)	-	(21,487)
Participating fund surplus transferred to shareholder	-	-	-	-	(8,600)	(8,600)	-	(8,600)
As at 31 December	58,957	1,354,766	130,367	8,147,978	441,204	10,133,272	(33,813)	10,099,459

18. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance

	31.12.2013			31.12.2012			1.1.2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated)	Net RM'000 (Restated)	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated)	Net RM'000 (Restated)
Claims liabilities (i)	1,926,013	(1,402,365)	523,648	1,911,999	(1,387,940)	524,059	1,560,614	(1,070,680)	489,934
Premium liabilities (ii)	604,550	(281,425)	323,125	592,099	(268,823)	323,276	651,974	(332,498)	319,476
	2,530,563	(1,683,790)	846,773	2,504,098	(1,656,763)	847,335	2,212,588	(1,403,178)	809,410

(i) Claims liabilities

	2013			2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January (as previously stated)	1,940,036	(1,388,963)	551,073	1,557,663	(1,067,965)	489,698
Effect due to prior year adjustment	(28,037)	1,023	(27,014)	2,951	(2,715)	236
As at 1 January (as restated)	1,911,999	(1,387,940)	524,059	1,560,614	(1,070,680)	489,934
Claims incurred in the current accident year	746,028	(407,454)	338,574	719,936	(373,707)	346,229
Other movements in claims incurred in prior accident years	(220,373)	195,392	(24,981)	87,006	(117,166)	(30,160)
Claims paid during the year (Note 30)	(530,344)	202,432	(327,912)	(535,504)	237,753	(297,751)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	7,096	68	7,164	(20,946)	20,815	(131)
Movements in PRAD	11,607	(4,863)	6,744	100,893	(84,955)	15,938
As at 31 December	1,926,013	(1,402,365)	523,648	1,911,999	(1,387,940)	524,059

(ii) Premium liabilities

	2013			2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January	592,099	(268,823)	323,276	651,974	(332,498)	319,476
Premiums written in the year (Note 24)	1,423,638	(833,720)	589,918	1,395,732	(768,354)	627,378
Premiums earned during the year	(1,411,187)	821,118	(590,069)	(1,455,607)	832,029	(623,578)
As at 31 December	604,550	(281,425)	323,125	592,099	(268,823)	323,276

19. SUBORDINATED OBLIGATION

	31.12.2013 RM'000	31.12.2012 RM'000
RM500 million Tier 2 Capital Subordinated Bond	500,000	-
Interest payable	10,183	-

Issued 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 RM495,743,521, and is estimated by discounting the expected future cash flows using the applicable prevailing interest rate for securities as at reporting date.

20. DEFERRED TAX LIABILITIES, NET

	2013 RM'000	2012 RM'000
At 1 January	(429,499)	(414,642)
Recognised in:		
Income statement (Note 33)	(19,159)	(6,598)
- Taxation on life fund business	20,674	5,800
- Tax expense	(39,833)	(12,398)
Other comprehensive income (Note 33)	15,050	(7,822)
Insurance contract liabilities (Note 18)	(1,733)	(453)
Exchange differences	143	16
At 31 December	(435,198)	(429,499)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax shown in the balance sheet have been determined after appropriate offsetting.

	2013 RM'000	2012 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	12,307	13,422
Deferred tax liabilities	(447,505)	(442,921)
	(435,198)	(429,499)

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

20. 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	General insurance liabilities RM'000	Impairment on Investment RM'000	Others RM'000	Total RM'000
2013					
At 1 January	6,564	1,226	4,747	885	13,422
Recognised in:					
Income statement	(58)	(218)	(857)	(125)	(1,258)
- Taxation on life fund business	26	-	(864)	29	(809)
- Tax expense	(84)	(218)	7	(154)	(449)
Translation differences	143	-	-	-	143
At 31 December	6,649	1,008	3,890	760	12,307
2012					
At 1 January	10,683	769	3,209	-	14,661
Recognised in:					
Income statement	(4,135)	457	1,538	885	(1,255)
- Taxation on life fund business	(206)	-	665	(64)	395
- Tax expense	(3,929)	457	873	949	(1,650)
Translation differences	16	-	-	-	16
At 31 December	6,564	1,226	4,747	885	13,422

20. 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 Reserve RM'000	Non-Participating Fund Unallocated Surplus RM'000	Unit Linked RM'000	Total RM'000
2013							
At 1 January	(278)	(5,702)	(46,026)	(48,345)	(336,794)	(5,776)	(442,921)
Recognised in:							
Income statement	(482)	2,280	21,051	-	(38,370)	(2,380)	(17,901)
- Taxation on life fund business	(355)	2,409	21,809	-	-	(2,380)	21,483
- Tax expense	(127)	(129)	(758)	-	(38,370)	-	(39,384)
Other comprehensive income	-	-	-	15,050	-	-	15,050
Insurance contract liabilities	-	-	-	(1,733)	-	-	(1,733)
At 31 December	(760)	(3,422)	(24,975)	(35,028)	(375,164)	(8,156)	(447,505)
2012							
At 1 January	(682)	(13,580)	(44,060)	(40,070)	(328,479)	(2,432)	(429,303)
Recognised in:							
Income statement	404	7,878	(1,966)	-	(8,315)	(3,344)	(5,343)
- Taxation on life fund business	(35)	7,820	964	-	-	(3,344)	5,405
- Tax expense	439	58	(2,930)	-	(8,315)	-	(10,748)
Other comprehensive income	-	-	-	(7,822)	-	-	(7,822)
Insurance contract liabilities	-	-	-	(453)	-	-	(453)
At 31 December	(278)	(5,702)	(46,026)	(48,345)	(336,794)	(5,776)	(442,921)

21. INSURANCE PAYABLES

	31.12.2013 RM'000	31.12.2012 RM'000
Due to agents and intermediaries	32,305	42,009
Due to reinsurers and cedants	179,251	363,168
	211,556	405,177

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

22. OTHER PAYABLES

	31.12.2013 RM'000	31.12.2012 RM'000
Premium deposits	57,697	74,065
Dividend payable to policyholders	70,351	66,714
Amount due to related companies* :		
- Ultimate holding company	-	358
- Holding company	1,441	1,620
- Other related companies	2	-
- Subsidiary	1,650	1,654
Amount due to stockbrokers	63,903	7,530
Sundry payables and accrued liabilities	152,226	143,531
	347,270	295,472

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

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are payable within one year.

23. OPERATING REVENUE

	2013 RM'000	2012 RM'000
Gross premiums (Note 24)	2,454,523	2,770,388
Investment income (Note 26)	610,970	588,088
	3,065,493	3,358,476

24. NET EARNED PREMIUMS

	2013 RM'000	2012 RM'000
(a) Gross Earned Premiums		
Life insurance contracts	1,030,885	1,374,656
General insurance contracts	1,423,638	1,395,732
Gross premiums (Note 23)	2,454,523	2,770,388
Gross change in premium liabilities	(12,451)	59,875
Gross Earned Premiums	2,442,072	2,830,263
(b) Earned Premiums ceded to Reinsurers		
Life insurance contracts	(20,274)	(20,585)
General insurance contracts	(833,720)	(768,354)
Premiums ceded to reinsurers	(853,994)	(788,939)
Change in premium liabilities ceded to reinsurers	12,602	(63,675)
Earned premiums ceded to reinsurers	(841,392)	(852,614)
Net Earned Premiums	1,600,680	1,977,649

25. FEE AND COMMISSION INCOME

	2013 RM'000	2012 RM'000
Reinsurance commission income	65,297	59,727

26. INVESTMENT INCOME

	2013 RM'000	2012 RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	367,169	373,760
(ii) HFT		
Interest income	35,554	20,456
Dividend income		
- Quoted in Malaysia	14,126	11,794
- Quoted outside Malaysia	-	20
- Unit and property trusts	71	-
AFS Financial assets		
Interest income	74,147	57,795
Dividend income		
- Quoted in Malaysia	39,710	42,297
- Quoted outside Malaysia	851	486
- Unquoted in Malaysia	2,551	2,495
- Unit and property trusts	2,739	1,167
LAR		
Interest income	29,436	26,930
Interest income from financing receivables and other loans	19,863	19,253
Rental income	29,149	28,215
(Amortisation of premiums)/accretion of discounts	(1,409)	8,364
Investment related expenses	(2,987)	(4,944)
	610,970	588,088

27. REALISED GAINS

	2013 RM'000	2012 RM'000
Realised gain on disposal of property, plant and equipment	-	102
Realised gain on disposal of investment properties	-	140
AFS financial assets		
Realised gains:		
- Singapore government securities	1,019	-
- Malaysian government papers	852	701
- Equity securities	255,382	149,566
- Debts securities	9,849	13,909
- Irredeemable convertible loan stocks	241	47
- Other investments	9,598	635
	276,941	164,858
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Realised gains:		
- Malaysian government papers	3,937	641
- Debts securities	66,237	89,438
	70,174	90,079
(ii) HFT		
Realised (losses)/gains:		
- Malaysian government papers	(106)	(93)
- Equity securities	48,716	18,841
- Debts securities	(312)	5,475
- Other investments	967	1,298
- Derivatives	(758)	(19,542)
	48,507	5,979
TOTAL REALISED GAINS	395,622	261,158

28. FAIR VALUE (LOSSES)/GAINS

	2013 RM'000	2012 RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition	(296,656)	(33,211)
(ii) HFT	27,220	(2,193)
Total fair value losses on financial assets at FVTPL	(269,436)	(35,404)
Investment properties	2,790	48,915
TOTAL FAIR VALUE (LOSSES)/GAINS	(266,646)	13,511

29. OTHER OPERATING REVENUE, NET

	2013 RM'000	2012 RM'000
Other income		
Unrealised gain on foreign exchange	7,390	44,001
Processing income	1,442	1,479
Reversal of impairment losses on debts securities	11	2,100
Reversal of impairment losses on insurance receivables	-	22,031
Reversal of impairment losses on other receivables	224	3,396
Sundry income	1,300	3,176
	10,367	76,183
Other expenses		
Impairment losses on financing receivables	(408)	(487)
Impairment losses on insurance receivables	(3,010)	-
Impairment losses on reinsurance assets	(36)	-
Impairment losses on property, plant and equipment	(58)	-
Impairment losses on prepaid land lease payments	(164)	-
Impairment losses on equity securities	(4,828)	(24,139)
Bad debts written off	(907)	(6,854)
Realised loss on foreign exchange	(587)	(2,730)
Sundry expenditure	(214)	(229)
	(10,212)	(34,439)
TOTAL OTHER OPERATING REVENUE, NET	155	41,744

30. NET BENEFITS AND CLAIMS

	2013 RM'000	2012 RM'000 (Restated)
(a) Gross Benefits and Claims Paid		
Insurance contracts:		
General	530,344	535,504
Life	1,513,060	1,286,373
	2,043,404	1,821,877
(b) Claims Ceded to Reinsurers		
Insurance contracts:		
General	(202,432)	(237,753)
Life	(18,020)	(11,036)
	(220,452)	(248,789)
(c) Gross Change in Contract Liabilities		
Insurance contracts:		
General	14,014	351,385
Life	(399,626)	306,936
	(385,612)	658,321
(d) Change in Contract Liabilities Ceded to Reinsurers		
Insurance contracts:		
General	(14,425)	(317,260)
Life	6,164	3,145
	(8,261)	(314,115)
NET BENEFITS AND CLAIMS	1,429,079	1,917,294

31. MANAGEMENT EXPENSES

	2013 RM'000	2012 RM'000
Employee benefits expense (a)	152,085	170,874
Directors' remuneration (b)	1,058	1,488
Auditors' remuneration:		
- statutory audit	845	860
- regulatory related services	40	30
- other services	28	28
Amortisation of intangible assets	11,428	9,544
Amortisation of prepaid land lease payments	303	303
Bank charges	8,012	9,571
Depreciation of property, plant and equipment	11,566	8,300
Fund management fees	504	1,556
Other management fees	4,382	3,096
Professional fees	1,825	3,370
Rental of offices/premises	3,455	3,740
Electronic data processing expenses	10,593	10,024
Outsourcing services	9,504	14,617
Postage & stamp duties	4,775	5,563
Printing & stationery	3,979	3,089
Promotional and marketing cost	21,927	22,095
Training expenses	4,680	4,360
Utilities, assessment and maintenance	10,145	8,747
Entertainment	1,808	1,976
Travelling expenses	3,922	4,295
Office facilities expenses	2,353	1,638
Legal fees	769	(117)
Other expenses	27,426	11,974
TOTAL MANAGEMENT EXPENSES	297,412	301,021

(a) Employee benefits expense:

	2013 RM'000	2012 RM'000
Wages and salaries	111,509	121,339
EPF, CPF and TAP	17,788	18,398
SOCSO	597	632
Share-based compensation	5,303	5,966
Other benefits	16,888	24,539
	152,085	170,874

Included in employee benefits expense is remuneration receivable by the CEO of RM872,038 (2012: RM363,673) as disclosed in Note 31(c).

31. MANAGEMENT EXPENSES (CONTD.)

(b) Directors' remuneration:

	2013 RM'000	2012 RM'000
(i) Directors of the Company		
Executive:		
Salary, bonus and allowance	314	662
EPF	-	10
Fees	10	60
Other emoluments	1	155
Non-executive:		
Fees	577	492
Allowance	81	60
Other emoluments	50	-
(ii) Other directors		
Non executive:		
Fees	22	41
Allowance	3	8
	1,058	1,488

The number of directors of the Company whose total remuneration received from the Company during the year falls within the following bands is analysed below:

	Numbers of directors 2013	2012
Executive director		
Below RM50,000	1	-
Above RM50,000	-	1
Non-executive directors		
Below RM50,000	2	3
Above RM50,000 to RM100,000	5	6
Above RM100,000	2	-

31. MANAGEMENT EXPENSES (CONTD.)

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

	2013 RM'000	2012 RM'000
Salary	458	276
Bonus	179	-
EPF	116	48
Other emoluments	113	26
Benefits-in-kind	6	14
	872	364

The movement in share options of the CEO is as follows:

	2013 RM'000	2012 RM'000
At 1 January	-	-
Granted	95	-
At 31 December	95	-

32. FEE AND COMMISSION EXPENSES

	2013 RM'000	2012 RM'000
Costs incurred for the acquisition of insurance contracts expensed in the current financial year	185,250	209,153

33. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 31 December 2012 are:

Income Statement

	2013 RM'000	2012 RM'000 (Restated)
Income tax:		
Current financial year's		
- Malaysia	39,311	93,703
- Foreign	-	(22)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 20)	39,833	12,398
Over provision of taxation in prior financial years	(9,297)	(3,210)
Income tax expense recognised in income statement	69,847	102,869

Statement of Comprehensive Income

	2013 RM'000	2012 RM'000 (Restated)
Deferred income tax related to other comprehensive income:		
- Fair value changes on AFS investments (Note 20)	(15,050)	7,822

33. 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:

	2013 RM'000	2012 RM'000 (Restated)
Profit before taxation	453,093	470,410
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	113,273	117,603
Business outside Malaysia taxed at 5%	(13,555)	(2,019)
Tax relief on actuarial surplus transferred to shareholder's fund	(525)	(13,675)
Income not subject to tax	(8,015)	(9,713)
Expenses not deductible for tax purposes	5,953	13,883
Effect of reduction in tax rate	(13,490)	-
Additional deduction allowed in respect of cash contributions made to MMIP during the year	(4,497)	-
Over provision of taxation in prior financial years	(9,297)	(3,210)
Tax expense for the financial year	69,847	102,869

Domestic income tax for shareholder's fund and general fund are calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year.

Taxation of life insurance business

	2013 RM'000	2012 RM'000
Income tax:		
Current financial year's		
- Malaysia	59,184	56,054
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 20)	(20,674)	(5,800)
Over provision of taxation in prior financial years	(7,449)	(6,255)
	31,061	43,999

33. INCOME TAX EXPENSE (CONTD.)

The income tax for the life funds are calculated based on the statutory rate of 8% (2012: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

34. 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.

	2013	2012 (Restated)
Profit attributable to ordinary equity holders (RM'000)	383,246	367,541
Number of ordinary share in issue ('000)	152,151	152,151
Basic earnings per share (sen)	251.89	241.56

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the reporting date.

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

35. 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:

	31.12.2013 RM'000	31.12.2012 RM'000
Within 1 year	3,010	3,390
After 1 year but not more than 5 years	8,017	10,986
	11,027	14,376

Rental expenses recognised in income statement during the financial year is disclosed in Note 31.

(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:

	31.12.2013 RM'000	31.12.2012 RM'000
Not later than 1 year	32,308	29,983
After 1 year but not more than 5 years	79,766	57,639
	112,074	87,622

Rental income on investment properties recognised in income statement during the financial year is disclosed in Note 26.

36. OTHER COMMITMENTS AND CONTINGENCIES

	31.12.2013 RM'000	31.12.2012 RM'000
Approved and contracted for:		
Property, plant and equipment	7,293	4,175
Intangible assets	1,831	9,359
	9,124	13,534
Approved but not contracted for:		
Property, plant and equipment	1,836	1,350

37. 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 Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("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.

37. 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 would be null and void.

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

- ESOS

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

- RSU

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

37. 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 average performance targets ("ESOS First Grant"). The first tranche of ESOS under ESOS First Grant amounting to 80,871,000 options had vested and were exercisable as at 30 June 2011. The second tranche of ESOS under ESOS First Grant amounting to 42,136,100 options had vested and were exercisable as at 30 April 2012. The third tranche of ESOS under ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2012, MBB granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Group ("ESOS Second Grant"). The first tranche of ESOS under ESOS Second Grant amounting to 6,185,800 options had vested and were exercisable as at 7 May 2012. The second tranche of ESOS under ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- 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 then existing ordinary shares in MBB, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of MBB relating to transfer, transmission and otherwise.

- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.

37. SHARE BASED COMPENSATION (CONTD.)

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

- The RSU granted will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date.

- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU Grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a 2-year cliff vesting schedule.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

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

	2013 RM'000	2012 RM'000
Income/(expenses):		
Transactions with the ultimate holding company:		
Gross insurance premium income	7,055	5,866
Dividend income	1,051	1,496
Commissions and fees expenses	(62,410)	(78,250)
Interest income	34,921	32,240
Rental income	495	491
Other expenses	(5,010)	(2,712)
Transactions with holding company:		
Rental income	68	109
Shared service cost	(14,418)	(5,385)
Interim dividend	(450,178)	(350,329)
Transactions with other related companies within the MBB group:		
Gross insurance premium income	-	2
Interest income	165	-
Rental income	12,946	11,443
Investment management fees	-	(1,556)
Other management fees	(58)	-
Shared service cost	(11,787)	16,172
Other expenses	(1,651)	(8,007)
Transactions with companies with significant influence over the MBB Group:		
Gross insurance premium income	8,293	21,482
Interest on subordinated obligation	5,397	-

38. 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:

	31.12.2013 RM'000	31.12.2012 RM'000
Ultimate holding company:		
Fixed and call deposits	451,749	525,765
Structured deposits	172,984	54,075
NCD	64,259	170,317
Corporate bonds	298,050	419,712
Quoted shares	18,411	-
Derivatives	(2,747)	-
Bank balance	107,192	149,361
Income due and accrued	7,383	7,747
Outstanding premiums	8,588	9,355
Amount due from/(to) ultimate holding company	1,694	(358)
Other receivables	53	-
Sundry payables and accrued liabilities	(2,165)	(2,417)
Holding company:		
Amount due to holding company	(1,441)	(1,620)
Dividend payable	-	(350,329)
Other related companies over the MBB Group:		
Outstanding premiums	-	171
Income and profits due and accrued	302	260
Amount due from other related companies	3,399	5,101
Amount due to other related companies	(2)	-
Companies with significant influence over the MBB Group:		
Outstanding premiums	2,431	1,173
Subordinated obligation	(270,397)	-
Subsidiary:		
Amount due to subsidiary	(1,650)	(1,654)

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

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company includes Executive Director, Non-Executive Directors and CEO.

(i) The remuneration of the Executive Director, Non-Executive Directors and CEO were as follows:

	2013 RM'000	2012 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	1,035	1,006
- EPF	116	58
- Fees	609	593
- Other emoluments and benefits-in-kind	170	195
Post employment benefits		
- Retirement gratuity	-	-
	1,930	1,852

(ii) The share options granted during the year is as follows:

	2013 RM'000	2012 RM'000
CEO	95	-

39. 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 MAHB Group, being EIB and ETB, collectively known as the Maybank Ageas Group ("the Group"). A strong risk governance structure enhances the capabilities to align risk appetite and strategy, link risk with growth and return, make timely risk response decisions, minimise operational surprises and losses, seize opportunities and rationalise capital.

39. RISK MANAGEMENT FRAMEWORK (CONTD.)

The Framework also ensures that risks are properly and adequately identified, evaluated, monitored and reported, so as to safeguard and protect the assets of the Company and enable the Company to fulfill our obligations to its customers, shareholder, stakeholders and meeting the expectations of the regulators.

The Risk Management function was strengthened with the appointment of the Chief Risk Officer ("CRO") by the the Board or the Board-Risk Committee. The CRO will ensure that the Risk Management Department is functionally and organisationally independent of business divisions.

The Group's Risk Appetite principles are subject to policy documents issued by BNM.

The Risk Management Framework is set up to ensure that all significant risks are identified, assessed, monitored and managed in accordance with the interests of shareholder and is intended to guide all business conduct within the Group. It identifies three levels in the Group's approach to risk management:

(a) Clear risk objectives and business strategy;
(b) Comprehensive Risk Management cycle; and
(c) Strong Risk Culture.

Clear Risk Objectives and Business Strategy

The Group transacts insurance business, the nature of which involves risk taking and is intrinsic to how it creates value for its customers and shareholders. At all times, the execution of business strategy is kept within the Group's risk tolerance levels to ensure that the Group delivers sustainable growth in shareholder's value and the risk of insolvency is controlled. A clear business strategy is required together with explicit statements of which risks or events are tolerable or to be avoided at all times. The Group's risk appetite is controlled by having consistent limits and policies in place for all relevant risks.

If risks are taken, they need to stay within the risk appetite limit as has been set by the Board. If risks and the potential losses associated with the risk are not tolerable, corrective action must be taken by the management and/or risk taking units.

39. RISK MANAGEMENT FRAMEWORK (CONTD.)

Comprehensive Risk Management Cycle

All key risks are identified and appropriately managed. An overview of major risk categories including Financial, Insurance, Operational, Enterprise and Shariah risks, describes the entire set of potential risks. Key risks are identified and key risk indicators are used to track the most important developments against benchmarked limits including risk appetite/limit or other relevant elements.

Any breaches of the limits would trigger actions by management to ensure that the Company remains within risk appetite limits and that business objectives continue to be achieved in a responsible manner.

Strong Risk Culture

The Policy Framework describes the risk management process and the control procedures necessary to ensure risk management is effectively carried out. Monitoring is accomplished through ongoing management activities, separate evaluations, or both. The internal environment and business conduct targets high ethical values to ensure that all employees are risk aware, actively identify risk and control/mitigate risks and are transparent in respect of risk taking. Clear responsibilities and accountabilities are the cornerstone for good risk management and good governance in general.

Capital Management Objectives, Policies and Approach

The Capital Management Policy sets a standard policy regarding the levels of capital to be maintained within the Group. The Capital Management Policy adopts the capital requirements prescribed by the regulators. For the Company, it is aligned with the Capital Adequacy Ratio ("CAR") defined in the Risk-Based Capital Framework for Insurers (BNM/RH/GL 003-24).

The Capital Management Policy defines the level of internal capital target which is reviewed on an annual basis. This is to ensure that the target capital level adequately reflects the risk profile of the portfolio as well as the risk tolerance limits. The policy is supported by stress testing exercises conducted at least twice a year. The stress testing exercise is governed by the requirements established in the Guideline on Stress Testing for Insurers (BNM/RH/GL 003-23) issued by BNM.

Currently, the minimum CAR is set by BNM at 130%.

At the reporting date, the Company has complied with the minimum capital requirements of the Risk-Based Capital Framework and the Financial Services Act, 2013. The details of total capital available is provided in Note 46.

39. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Governance Structure and Risk Organisation

The governance structure outlines the organisational structure, the 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 Board and Committees that have been set-up, including the Board, the RMC and the Risk Management Meeting ("RMM").

Governance is emphasised via various level of committees (Board, Management and Working levels). Each committee has its own terms of reference, roles and responsibilities, specific duties and level of authority.

Board Level

MAHB Board		Investment Committee	Risk Management Committee	Audit Committee	Shariah Committee
ETB Board	EIB Board				

Management Level

Senior Management Committee	Business Growth Meeting	Product Development Committee	Asset and Liability Committee	Risk Management Meeting	Audit Review Meeting

Operating units / ***Support units***

First line of defence	*Second line of defence*			*Third line of defence*
Risk Taking units	Risk Management	Compliance	Shariah Division	Internal Audit

Board

The MAHB Board of Directors ("MAHB Board"), together with the EIB and ETB Boards, have the final responsibility for all business activities, including risk management. The MAHB Board is the ultimate decision-making body of the Group. The Boards have delegated specific matters to 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 of the Group. The SC assists the Board in fulfilling its supervision and monitoring responsibilities in respect of Shariah principles.

39. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Governance Structure and Risk Organisation (Contd.)

Risk Management Committee ("RMC")

The role of the RMC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control, including monitoring the risk profile of the legal entities and compared to the targeted level of risk appetite as set by the Boards.

Investment Committee ("IC")

The role of the IC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of investment related activities.

Audit Committee ("AC")

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

Senior Management Committee ("SMC")

The responsibility of the SMC is to assure the Board that the Company makes appropriate decisions regarding risks and return and to ensure that adequate controls exist and are fully operational.

Risk Management Meeting ("RMM")

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

Asset and Liability Committee ("ALCO")

The ALCO is responsible for investment strategy and operations. It will carry out its responsibilities within the limits set by the RMM.

The ALCO is authorised to propose the implementation strategies in respect of investment activities. The ALCO is also responsible for carrying out ALM studies, amongst other things.

Audit Review Meeting ("ARM")

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

Business Growth Meeting ("BGM")

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

39. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Governance Structure and Risk Organisation (Contd.)

Product Development Committee ("PDC")

The prime objective of the PDC is to coordinate and manage the process of product development and product management for each specific product line.

Risk management at the Group is organised centrally and is embedded in the business units. The Group's risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units and Internal Audit.

(i) Risk Taking Units (First Line of Defence)

Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities. They are the first line of defence and operationally responsible to ensure that the Group does not suffer from undesirable circumstances.

Risk Taking Units are responsible for managing the risk that relates its execution of business strategy and ranges from the CEO, Line Management and Business Managers to employees in the business lines.

(ii) Risk Control Units (Second Line of Defence)

Risk Control units, through Risk Management, the Compliance Department and the Shariah Division, are responsible for setting the risk management framework, adherence to it and developing tools and methodologies for the identification, measurement, monitoring and control of risk.

In addition, the Risk Management Department has the responsibility to communicate and embed risk strategy, risk awareness and risk management within the entire organisation. The Compliance function has an overall assurance role in which it ensures that policies abide to any relevant external guidelines and requirements.

(iii) Internal Audit (Third Line of Defence)

Internal Audit checks and provides independent assurance of the effectiveness of the risk management approach, proper design and implementation of the risk management framework and observance of guidelines, policies and processes.

40. 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 and reinsurance risks. Actuarial 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. Claims processes are defined by approval authority as part of the control in place on financial exposure.

The Company has established appropriate guidelines and framework tide 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 shows the concentration of actuarial liabilities by type of contract.

	31.12.2013			31.12.2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Whole life	605,724	-	605,724	640,798	-	640,798
Endowment	4,850,291	-	4,850,291	5,628,038	-	5,628,038
Mortgage	919,195	(26,049)	893,146	998,475	(31,115)	967,360
Term assurance	361,155	-	361,155	383,497	-	383,497
Annuity	447,249	-	447,249	465,018	-	465,018
Others	107,173	-	107,173	32,152	-	32,152
Total	7,290,787	(26,049)	7,264,738	8,147,978	(31,115)	8,116,863

The Company's life business is derived from Malaysia, and, accordingly, a geographical analysis by country has not been provided.

40. 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 in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and prudent 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) <u>Discount rate</u>

The discount rate used for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies is the yield observed on the Malaysian Government Securities ("MGS") of the appropriate duration. In the case of the total benefits liabilities of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the life 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 the participating annuity is the gross rate as this fund is tax exempted.

(b) <u>Mortality and morbidity rates</u>

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

40. 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. These rates based on the Company's historical experience of lapses and surrenders.

(d) Expenses

Expense assumptions represent the expected amount that will be spent on the business. Assumptions on future expenses are at best estimate after taking into consideration current expense levels and the expected expense inflation.

(iii) Sensitivities

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 in determining the analysed claims liabilities. To demonstrate the impact, changes in specific assumptions 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.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

40. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

(iii) Sensitivities (Contd.)

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit Before Tax RM'000	Impact on Equity*** RM'000
		<-------- Increase	-------->	<-------- Decrease	-------->
Life Insurance					
31.12.2013					
Discount rate*	-1%	529,663	528,325	(156,049)	(129,552)
Mortality and morbidity rates	+/- 10% (adverse)	122,331	120,102	(93,984)	(70,488)
Lapse and surrender rates	+/- 10% (adverse)	26,762	26,709	(502)	(376)
Expenses	+10%	35,942	35,942	(17,071)	(12,803)
31.12.2012					
Discount rate*	-1%	622,178	620,517	(188,394)	(170,792)
Mortality and morbidity rates	+/- 10% (adverse)	131,716	129,063	(102,199)	(76,649)
Lapse and surrender rates	+/- 10% (adverse)	34,138	34,203	(2,821)	(2,116)
Expenses	+10%	38,525	38,525	(16,547)	(12,410)

* Excludes impact on fixed income assets.
** The impact on net liabilities results has a corresponding impact of opposite figure on surplus arising.
*** Impact on equity is after considering tax effects.

40. INSURANCE RISK (CONTD.)

(B) General Insurance

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

	<------ 2013		------>	<------ 2012		------>
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Malaysia						
Motor	264,125	(9,709)	254,416	280,356	(9,134)	271,222
Fire	200,263	(112,616)	87,647	176,133	(75,537)	100,596
Marine, Aviation, Cargo and Transit	658,610	(643,743)	14,867	648,915	(624,663)	24,252
Miscellaneous	187,895	(50,094)	137,801	186,564	(44,974)	141,590
	1,310,893	(816,162)	494,731	1,291,968	(754,308)	537,660
Singapore and Brunei						
Motor	26,673	(867)	25,806	29,482	(1,020)	28,462
Fire	30,435	(5,092)	25,343	23,649	(5,436)	18,213
Marine, Aviation, Cargo and Transit	5,027	(1,835)	3,192	4,258	(1,154)	3,104
Miscellaneous	50,610	(9,764)	40,846	46,375	(6,436)	39,939
	112,745	(17,558)	95,187	103,764	(14,046)	89,718
Total	1,423,638	(833,720)	589,918	1,395,732	(768,354)	627,378

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(ii) Key Assumptions and Methods

The estimation of claims liabilities based on BNM's RBC Framework for Insurers requires all general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Accordingly, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business.

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 judgements are used to assess the extent to which past trends may not apply in the future. For example, to reflect any one-off occurrences or changes caused by external or market factors such as public perspective towards claim process, legislative changes, judicial decisions and economic conditions, as well as to reflect any one-off occurrences or changes caused by internal factors such as portfolio mix, policy conditions and claims handling procedures. The actuarial methodologies together with the qualitative judgements are used in order to arrive at a point estimate for the ultimate cost of claims that represents the expected outcome from distribution of possible outcomes while taking into account all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a liability range. In addition, the liabilities are estimated on an undiscounted basis and no curve-fitting methods have been applied in the estimation process.

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.

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(ii) Key Assumptions and Methods (Contd.)

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. This approach is also similar with the Company's Singapore branch.

ULAE

	31.12.2013	31.12.2012
ULAE paid loss ratio (Excluding Singapore)	3%	3%

(iii) Sensitivities

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

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

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(ii) Sensitivities (Contd.)

General Insurance - Malaysia and Brunei businesses	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) ----------------->			
31.12.2013					
Net Incurred Claims Ratio	+ 5%	66,021	25,626	(25,626)	(19,220)
	- 5%	(66,021)	(25,626)	25,626	19,220
31.12.2012 (Restated)					
Net Incurred Claims Ratio	+ 5%	68,285	27,363	(27,363)	(20,522)
	- 5%	(68,285)	(27,363)	27,363	20,522

General Insurance - Singapore business	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		<----------------- Increase/(decrease) ----------------->			
31.12.2013					
Net Incurred Claims Ratio	+ 5%	4,538	3,877	(3,877)	(2,908)
	- 5%	(4,538)	(3,877)	3,877	2,908
31.12.2012					
Net Incurred Claims Ratio	+ 5%	4,495	3,816	(3,816)	(2,862)
	- 5%	(4,495)	(3,816)	3,816	2,862

* Impact on equity is after considering tax effects.

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(ii) Sensitivities (Contd.)

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

(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.

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
	<----				As at 31 December			---->	
Estimate of gross cumulative claims:									
At the end of accident year		354,152	459,301	605,472	656,260	460,417	698,578	746,028	
1 year later		384,673	593,658	509,549	831,332	601,879	724,724		
2 years later		395,397	438,580	404,015	820,858	455,819			
3 years later		426,469	434,911	395,351	756,811				
4 years later		395,307	439,218	393,292					
5 years later		404,418	438,673						
6 years later		392,534							
Estimate of gross cumulative claims (A)		392,534	438,673	393,292	756,811	455,819	724,724	746,028	
Estimate of gross cumulative payments to date:									
At the end of accident year		135,892	155,876	170,003	167,364	137,202	243,483	184,340	
1 year later		257,473	293,662	288,903	376,516	281,548	388,294		
2 years later		304,809	361,297	342,231	461,088	328,451			
3 years later		349,096	402,446	364,424	576,511				
4 years later		358,479	417,902	376,405					
5 years later		370,998	426,187						
6 years later		374,996							
Gross cumulative payments (B)		374,996	426,187	376,405	576,511	328,451	388,294	184,340	
Gross outstanding claim liabilities (A) - (B)	129,988	17,538	12,486	16,887	180,300	127,368	336,430	561,688	1,382,685
Gross outstanding claim liabilities for Brunei and Treaty Inward									63,463
Gross outstanding claim liabilities for Singapore - Alpha Reinsurance									5,328
ULAE									17,662
Best estimate of gross claim liabilities									1,469,138
PRAD									456,875
Gross Insurance Claims Liabilities as at 31 December 2013									1,926,013

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
		<------			As at 31 December			------>	
Estimate of net cumulative claims:									
At the end of accident year		284,724	316,237	440,485	449,907	301,441	325,515	338,573	
1 year later		285,188	289,372	310,411	343,699	301,483	308,359		
2 years later		279,277	287,788	300,200	338,592	296,650			
3 years later		279,519	293,719	301,649	335,791				
4 years later		262,514	294,510	302,635					
5 years later		262,074	296,408						
6 years later		262,524							
Estimate of net cumulative claims (A)		262,524	296,408	302,635	335,791	296,650	308,359	338,573	
Estimate of net cumulative payments to date:									
At the end of accident year		109,836	130,198	146,144	153,497	119,674	126,418	147,320	
1 year later		206,426	234,926	235,823	264,709	229,437	238,364		
2 years later		230,190	260,309	264,419	297,575	261,186			
3 years later		241,678	274,383	280,774	314,687				
4 years later		249,158	283,359	291,881					
5 years later		254,324	288,983						
6 years later		257,833							
Net cumulative payments (B)		257,833	288,983	291,881	314,687	261,186	238,364	147,320	
Net outstanding claim liabilities (A) - (B)	4,590	4,691	7,425	10,754	21,104	35,464	69,995	191,253	345,276
Net outstanding claim liabilities for Brunei and Treaty Inward									63,469
Net outstanding claim liabilities for Singapore - Alpha Reinsurance									5,328
ULAE									17,458
Best estimate of net claim liabilities									431,531
PRAD									92,117
Net Insurance Claims Liabilities as at 31 December 2013									523,648

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Claims development table (Contd.)

Analysis of claims development - Gross insurance Contract Liabilities

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
		<----------			As at 31 December			--------->	
Estimate of gross cumulative claims:									
At the end of accident year		394,768	354,152	459,301	605,472	656,260	460,417	698,578	
1 year later		447,519	384,673	593,658	509,549	831,332	601,879		
2 years later		406,718	395,397	438,580	404,015	820,858			
3 years later		388,698	426,469	434,911	395,351				
4 years later		395,250	395,307	439,218					
5 years later		382,821	404,418						
6 years later		384,073							
Estimate of gross cumulative claims (A)		384,073	404,418	439,218	395,351	820,858	601,879	698,578	
Estimate of gross cumulative payments to date:									
At the end of accident year		128,350	135,892	155,876	170,003	167,364	137,202	243,483	
1 year later		269,387	257,473	293,662	288,903	376,516	281,548		
2 years later		310,156	304,809	361,297	342,231	461,088			
3 years later		338,742	349,096	402,446	364,424				
4 years later		354,595	358,479	417,902					
5 years later		358,764	370,998						
6 years later		363,080							
Gross cumulative payments (B)		363,080	370,998	417,902	364,424	461,088	281,548	243,483	
Gross outstanding claim liabilities (A) - (B)	147,609	20,993	33,420	21,316	30,927	359,770	320,331	455,095	1,389,461
Gross outstanding claim liabilities for Brunei and Treaty Inward									61,565
Gross outstanding claim liabilities for Singapore - Alpha Reinsurance									5,138
ULAE									10,566
Best estimate of net claim liabilities									1,466,730
PRAD									445,269
Gross Insurance Claims Liabilities as at 31 December 2012 (as restated)									1,911,999

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
		<----------			As at 31 December			---------->	
Estimate of net cumulative claims:									
At the end of accident year		295,954	284,724	316,237	440,485	449,907	301,441	325,515	
1 year later		297,436	285,188	289,372	310,411	343,699	301,483		
2 years later		284,293	279,277	287,788	300,200	338,592			
3 years later		265,584	279,519	293,719	301,649				
4 years later		268,154	262,514	294,510					
5 years later		269,039	262,074						
6 years later		269,999							
Estimate of net cumulative claims (A)		269,999	262,074	294,510	301,649	338,592	301,483	325,515	
Estimate of net cumulative payments to date:									
At the end of accident year		115,304	109,836	130,198	146,144	153,497	119,674	126,418	
1 year later		218,243	206,426	234,926	235,823	264,709	229,437		
2 years later		241,518	230,190	260,309	264,419	297,575			
3 years later		253,829	241,678	274,383	280,774				
4 years later		259,634	249,158	283,359					
5 years later		263,244	254,324						
6 years later		266,518							
Net cumulative payments (B)		266,518	254,324	283,359	280,774	297,575	229,437	126,418	
Net outstanding claim liabilities (A) - (B)	6,253	3,481	7,750	11,151	20,875	41,017	72,046	199,097	361,670
Net outstanding claim liabilities for Brunei and Treaty Inward									61,584
Net outstanding claim liabilities for Singapore - Alpha Reinsurance									5,138
ULAE									10,294
Best estimate of net claim liabilities									438,686
PRAD									85,373
Net Insurance Claims Liabilities as at 31 December 2012 (as restated)									524,059

40. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) 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 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 2012 represent estimate of expected claims to be paid on gross premium earned up to 31 December.

41. 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) Risk Management together with the Investment Department, actively aims to prevent undue concentration by ensuring its credit portfolio diversified and;
(b) The asset management research team adopts a prudent position in the selection of fixed income investments;
(c) 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) Risk Management Department uses Key Risk Indicators ("KRI") to alert the management on impending problems in a timely manner.

41. 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.

	<---- 31.12.2013 ----		---->	<---- 31.12.2012 ----		---->
	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000	Insurance and Shareholder's Fund RM'000 (Restated)	Unit-Linked RM'000 (Restated)	Total RM'000 (Restated)
LAR						
Fixed and call deposits	1,087,166	229,949	1,317,115	636,634	289,801	926,435
AFS financial assets						
Equity securities	1,415,396	-	1,415,396	1,616,275	-	1,616,275
Malaysian government paper	128,220	-	128,220	28,391		28,391
Singapore government securities	38,211	-	38,211	31,779	-	31,779
Irredeemable loan stocks	10,548	-	10,548	22,574	-	22,574
Debt securities, structured products and NCDs	1,353,594	-	1,353,594	1,407,952	-	1,407,952
Unit and property trust funds	220,946	-	220,946	155,956	-	155,956
Financial assets at FVTPL						
(i) Designated upon initial recognition						
Malaysian government paper	371,683	-	371,683	470,719	-	470,719
Debt securities, structured products and NCDs	6,629,360	-	6,629,360	7,503,808	-	7,503,808
(ii) HFT						
Equity securities	-	493,904	493,904	-	412,342	412,342
Malaysian government paper	-	66,327	66,327	-	75,240	75,240
Debt securities, structured products and NCDs	-	888,394	888,394	-	595,462	595,462
Unit and property trust funds	-	18,013	18,013	-	18,392	18,392
Financing receivables	267,131	-	267,131	266,379	-	266,379
Reinsurance assets	1,711,403	-	1,711,403	1,690,576	-	1,690,576
Insurance receivables	198,463	-	198,463	371,823	-	371,823
Other receivables	216,235	14,339	230,574	239,280	9,017	248,297
Derivatives	(3,047)	13,274	10,227	419	269	688
Cash and bank balances	139,422	126	139,548	158,804	1,016	159,820
	13,784,731	1,724,326	15,509,057	14,601,369	1,401,539	16,002,908

41. 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						
	*Investment grade RM'000 A to AAA	*Non-Investment grade RM'000 B to BBB	Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2013							
LAR							
Fixed and call deposits	926,964	-	160,202	229,949	-	-	1,317,115
AFS financial assets							
Equity securities	-	-	-	-	-	1,415,396	1,415,396
Malaysian government paper	-	-	128,220	-	-	-	128,220
Singapore government securities	38,211	-	-	-	-	-	38,211
Irredeemable loan stocks	-	-	-	-	-	10,548	10,548
Debt securities, structured products and NCDs	1,172,287	-	181,307	-	-	-	1,353,594
Unit and property trust funds	-	-	-	-	-	220,946	220,946
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government paper	-	-	371,683	-	-	-	371,683
Debt securities, structured products and NCDs	5,687,471	-	941,889	-	-	-	6,629,360
(ii) HFT							
Equity securities	-	-	-	493,904	-	-	493,904
Malaysian government paper	-	-	-	66,327	-	-	66,327
Debt securities, structured products and NCDs	-	-	-	888,394	-	-	888,394
Unit and property trust funds	-	-	-	18,013	-	-	18,013
Financing receivables	-	-	265,899	-	1,232	-	267,131
Reinsurance assets	438,493	12,524	978,961	-	-	281,425	1,711,403
Insurance receivables^^	16,307	-	143,095	-	39,061	-	198,463
Other receivables	77,998	2	19,398	4,335	-	128,841	230,574
Derivatives	-	-	(3,047)	13,274	-	-	10,227
Cash and bank balances	139,156	-	266	126	-	-	139,548
	8,496,887	12,526	3,187,873	1,714,322	40,293	2,057,156	15,509,057

41. 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						
31.12.2012 (as restated)	*Investment grade RM'000 A to AAA	*Non-Investment grade RM'000 B to BBB	Not Rated RM'000	Unit-linked RM'000	Past-due or Impaired RM'000	Not subject to credit risk RM'000	Total RM'000
LAR							
Fixed and call deposits	625,711	-	10,923	289,801	-	-	926,435
AFS financial assets							
Equity securities	-	-	-	-	-	1,616,275	1,616,275
Malaysian government paper	-	-	28,391	-	-	-	28,391
Singapore government securities	31,779	-	-	-	-	-	31,779
Irredeemable loan stocks	-	-	-	-	-	22,574	22,574
Debt securities, structured products and NCDs	1,151,325	-	256,627	-	-	-	1,407,952
Unit and property trust funds	-	-	-	-	-	155,956	155,956
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government paper	-	-	470,719	-	-	-	470,719
Debt securities, structured products and NCDs	6,543,145	-	960,663	-	-	-	7,503,808
(ii) HFT							
Equity securities	-	-	-	412,342	-	-	412,342
Malaysian government paper	-	-	-	75,240	-	-	75,240
Debt securities, structured products and NCDs	-	-	-	595,462	-	-	595,462
Unit and property trust funds	-	-	-	18,392	-	-	18,392
Financing receivables	-	-	3,060	-	1,004	262,315	266,379
Reinsurance assets	1,273,695	21,159	95,784	-	-	299,938	1,690,576
Insurance receivables^^	255	22	330,193	-	41,353	-	371,823
Other receivables	85,218	75	18,542	9,017	-	135,445	248,297
Derivatives	-	-	419	269	-	-	688
Cash and bank balances	158,738	-	66	1,016	-	-	159,820
	9,869,866	21,256	2,175,387	1,401,539	42,357	2,492,503	16,002,908

* Based on ratings assigned by external rating agencies including Rating Agency Malaysia Berhad ("RAM") and Malaysian Rating Corporation Berhad ("MARC").
^^ Insurance receivables from agents/insurers/reinsurers licensed under Financial Services Act 2013 are classified under the "not rated" category.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Quality of Financial Assets

	Past due but not impaired				Impaired			Total
	< 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	RM'000
31.12.2013								
AFS financial assets								
- Debt securities	-	-	-	-	12,274	(12,274)	-	-
Financing receivables	51	46	1,135	1,232	2,784	(2,784)	-	1,232
Reinsurance assets	-	-	-	-	36	(36)	-	-
Insurance receivables	22,858	4,559	11,644	39,061	31,475	(31,475)	-	39,061
Other receivables	-	-	-	-	549	(549)	-	-
	22,909	4,605	12,779	40,293	47,118	(47,118)	-	40,293
31.12.2012								
AFS financial assets								
- Debt securities	-	-	-	-	12,263	(12,263)	-	-
Financing receivables	135	7	862	1,004	2,376	(2,376)	-	1,004
Insurance receivables	23,716	4,290	13,347	41,353	28,440	(28,440)	-	41,353
Other receivables	-	-	-	-	773	(773)	-	-
	23,851	4,297	14,209	42,357	43,852	(43,852)	-	42,357

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account

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

	AFS - Debt securities RM'000	Financing receivables RM'000	Reinsurance Assets RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
2013						
At 1 January	12,263	2,376	-	28,440	773	43,852
Allowance (recovered)/made during the year	(11)	408	36	3,010	(224)	3,219
Exchange differences	22	-	-	25	-	47
At 31 December	12,274	2,784	36	31,475	549	47,118
2012						
At 1 January	14,363	1,889	-	50,187	4,534	70,973
Reclassification	-	-	-	365	(365)	-
Allowance (recovered)/made during the year	(2,100)	487	-	(22,031)	(3,396)	(27,040)
Exchange differences	-	-	-	(81)	-	(81)
At 31 December	12,263	2,376	-	28,440	773	43,852

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Collateral

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
Secured staff/non-staff loans	Charges over residential properties

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 98% (31.12.2012: 86%). The financing receivables amounting to RM273,139,810 (31.12.2012: RM229,100,167) are collaterised.

(ii) Liquidity Risk

Liquidity risk is the risk that arises from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise loss. It is the risk that an entity will encounter difficulties in meeting obligations associated with financial instruments.

The objective of liquidity risk management is to safeguard the counterparties 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.

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

(a) Risk Management together with the Investment Department, actively monitor the cashflows associated with and derived from assets and liabilities of the Company through the ALCO platform; and
(b) Investment Department ensure that the

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 contracts liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

41. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Premium liabilities and the reinsurers' share of premium liabilities, AFS reserves and unallocated surplus have been excluded form 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.

31.12.2013	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets:						
LAR	1,317,115	1,317,115	-	-	-	1,317,115
AFS	3,166,915	151,044	496,642	1,381,762	1,384,806	3,414,254
FVTPL	8,467,681	777,135	3,536,139	5,154,848	-	9,468,122
Financing receivables	267,131	232,639	12,295	31,057	-	275,991
Reinsurance assets*	1,430,050	861,530	533,905	39,345	-	1,434,780
Insurance receivables	198,463	198,463	-	-	-	198,463
Other receivables	230,574	230,574	-	-	-	230,574
Derivatives	10,227	(280)	10,507	-	-	10,227
Cash and bank balances	139,548	139,548	-	-	-	139,548
Total financial and insurance assets	15,227,704	3,907,768	4,589,488	6,607,012	1,384,806	16,489,074
Insurance contract liabilities*	10,923,874	3,848,558	3,455,944	7,901,613	-	15,206,115
Subordinated obligation	500,000	20,650	82,600	603,250	-	706,500
Insurance payables	211,556	211,556	-	-	-	211,556
Other payables	347,270	347,270	-	-	-	347,270
Total financial and insurance liabilities	11,982,700	4,428,034	3,538,544	8,504,863	-	16,471,441

* Excluding premium liabilities, AFS reserves and unallocated surplus.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

31.12.2012 (as restated)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets:						
LAR	926,435	926,435	-	-	-	926,435
AFS	3,262,927	55,704	483,338	1,325,411	1,795,424	3,659,877
FVTPL	9,075,963	563,671	2,941,720	6,808,979	-	10,314,370
Financing receivables	266,379	233,820	16,871	73,584	-	324,275
Reinsurance assets*	1,421,753	957,244	630,218	116,890	-	1,704,352
Insurance receivables	371,823	371,823	-	-	-	371,823
Other receivables	248,297	136,558	-	-	101,975	238,533
Derivatives	688	419	269	-	-	688
Cash and bank balances	159,820	159,820	-	-	-	159,820
Total financial and insurance assets	15,734,085	3,405,494	4,072,416	8,324,864	1,897,399	17,700,173
Insurance contract liabilities*	11,473,700	3,516,603	3,921,670	7,916,445	-	15,354,718
Insurance payables	405,177	405,177	-	-	-	405,177
Other payables	295,472	295,472	-	-	-	295,472
Dividend payable	350,329	350,329	-	-	-	350,329
Total financial and insurance liabilities	12,524,678	4,567,581	3,921,670	7,916,445	-	16,405,696

* Excluding premium liabilities, AFS eserves and unallocated surplus.

41. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

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

Market risk comprises three (3) types of risk:

(a) Currency risk;
(b) 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:

First, 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.

Second, 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.

Third, 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.

41. 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.

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.

41. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Interest Rate Risk (Contd.)

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

Funds	Changes in variables	<-- 31.12.2013 --> Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000	<-- 31.12.2012 --> Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		<-- (Decrease)/increase -->				<-- (Decrease)/increase -->			
Shareholders	+100 basis points	-	-	-	(49,877)	-	-	-	(48,714)
	-100 basis points	-	-	-	49,877	-	-	-	48,714
General	+100 basis points	-	-	-	(20,307)	-	-	-	(15,823)
	-100 basis points	-	-	-	20,307	-	-	-	15,823
Life	+100 basis points	(228,112)	(228,112)	(198,211)	(148,658)	(236,007)	(236,007)	(230,397)	(172,798)
	-100 basis points	228,112	228,112	198,211	148,658	236,007	236,007	230,397	172,798

* Impact on equity is after tax of 25%

(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.

41. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(c) Equity Price Risk (Contd.)

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.

Funds	Market Index	Changes in variables	31.12.2013 Impact on gross liabilities RM'000	31.12.2013 Impact on net liabilities RM'000	31.12.2013 Impact on profit before tax RM'000	31.12.2013 Impact on equity* RM'000	31.12.2012 Impact on gross liabilities RM'000	31.12.2012 Impact on net liabilities RM'000	31.12.2012 Impact on profit before tax RM'000	31.12.2012 Impact on equity* RM'000
			(Decrease)/increase				(Decrease)/increase			
Shareholder's	Bursa Malaysia	+10%	-	-	-	24,900	-	-	-	31,698
		-10%	-	-	-	(24,900)	-	-	-	(31,698)
General	Bursa Malaysia	+10%	-	-	-	6,189	-	-	-	5,305
		-10%	-	-	-	(6,189)	-	-	-	(5,305)
Life	Bursa Malaysia	+10%	-	-	-	76,558	-	-	-	87,713
		-10%	-	-	-	(76,558)	-	-	-	(87,713)

* Impact on equity is after tax of 25%

(iv) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Company puts in place controls to mitigate operational risks. If these controls fail to perform, they can cause damage to Company's reputation, have legal or regulatory implications and can lead to financial loss. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

42. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

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

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.

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 judgment is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustment is an integral part of valuation process. Valuation adjustment reflects the uncertainty in valuations for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustment, 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.

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

Description of Overall Fair Value Framework (Contd.)

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 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 actively traded government securities, listed derivatives and cash products 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 less liquid equities.

- 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.

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

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

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

	Valuation techniques used: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	Total RM'000
31.12.2013				
Assets				
AFS financial assets				
Equity securities	1,313,145	-	-	1,313,145
Malaysian government papers	-	128,220	-	128,220
Singapore government securities	-	38,211	-	38,211
Debt securities, structured products and NCDs	58,356	1,302,024	-	1,360,380
Irredeemable loan stock	10,548	-	-	10,548
Unit and property trust funds	170,956	-	-	170,956
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	371,683	-	371,683
Debt securities, structured products and NCDs	-	6,622,574	-	6,622,574
(ii) HFT				
Equity securities	493,904	-	-	493,904
Malaysian government papers	-	66,327	-	66,327
Debt securities, structured products and NCDs	-	888,394	-	888,394
Unit and property trust funds	18,013	-	-	18,013
Derivative assets	-	-	13,278	13,278
Total assets	2,064,922	9,417,433	13,278	11,495,633
Liabilities				
Derivative Liabilities	-	-	(3,051)	(3,051)
Total liabilities	-	-	(3,051)	(3,051)

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

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

	Valuation techniques used:			
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	Total RM'000
31.12.2012				
Assets				
AFS financial assets				
Equity securities	1,514,023	-	-	1,514,023
Malaysian government papers	-	28,391	-	28,391
Singapore government securities	-	31,779	-	31,779
Debt securities, structured products and NCDs	-	1,407,263	-	1,407,263
Irredeemable loan stock	22,574	-	-	22,574
Unit and property trust funds	101,654	-	-	101,654
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	470,719	-	470,719
Debt securities, structured products and NCDs	-	7,504,497	-	7,504,497
(ii) HFT				
Equity securities	412,342	-	-	412,342
Malaysian government pap	-	75,240	-	75,240
Debt securities, structured products and NCDs	-	595,462	-	595,462
Unit and property trust funds	18,392	-	-	18,392
Derivative assets	-	-	688	688
Total assets	2,068,985	10,113,351	688	12,183,024
Liabilities				
Derivative Liabilities	-	-	-	-
Total liabilities	-	-	-	-

Unquoted equities securities and unquoted unit and property trust fund of RM102,251,154 and RM49,989,929 (31.12.2012: RM102,252,080 and RM54,302,280) respectively as disclosed in Note 9 are not included in the above analysis as they are carried at cost.

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

(b) Reconciliation of level 3 fair value hierarchy

	Financial instruments measured at fair value		
	Derivative assets RM'000	Derivative liabilities RM'000	Total RM'000
2013			
At 1 January	688	-	688
Recognised in Income Statement:			
Realised loss	(757)	-	(757)
Fair value loss	(2,585)	(3,051)	(5,636)
Recognised in Other Comprehensive Income:			
Fair value gain	-	-	-
Translation differences	-	-	-
Purchases	15,175	-	15,175
Sales	-	-	-
Settlements	757	-	757
Transfer out of Level 3	-	-	-
At 31 December	13,278	(3,051)	10,227
Total losses recognised in Income Statement for financial instruments measured at fair value at the end of the reporting year	(3,342)	(3,051)	(6,393)

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

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

	Financial instruments measured at fair value		
	Derivative assets RM'000	Derivative liabilities RM'000	Total RM'000
2012			
At 1 January	33,355	(348)	33,007
Recognised in Income Statement:			
Realised (loss)/gain	(20,907)	348	(20,559)
Fair value loss	(23,313)	-	(23,313)
Recognised in Other Comprehensive Income:			
Fair value gain	-	-	-
Translation differences	6,671	-	6,671
Purchases	5,005	-	5,005
Sales	(123)	-	(123)
At 31 December	688	-	688
Total losses/(gains) recognised in Income Statement for financial instruments measured at fair value at the end of the reporting period	(44,220)	348	(43,872)

43. DIVIDENDS

	31.12.2013 RM'000	31.12.2012 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim dividend for the year ended 31 December 2013: 394.5 sen per share, net of tax at 25%	450,178	-
- Interim dividend for the year ended 31 December 2012: 307.0 sen per share, net of tax at 25%	-	350,329
	450,178	350,329

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

44. SIGNIFICANT EVENT

On 5 July 2013, the Company issued RM500,000,000 nominal value of Tier 2 Capital Subordinated bond. The bond carries a tenure of ten (10) years from issue date on 10 non-callable 5 basis, with interest rate of 4.13% per annum payable semi-annually in arrears in January and July each year, and is due in 2023. 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 each semi-annual interest payment date thereafter at the principal amount together with accrued but unpaid coupon.

45. CONTINGENT LIABILITY

On 22 October 2012, the Company and fellow subsidiary had terminated the services of a service provider on the grounds that they had not complied with the services required of them under the service level agreement between the service provider and the Company and fellow subsidiary. On 28 November 2012, the service provider had, via its solicitors, issued a letter of demand against the Company and fellow subsidiary for a particular sum, alleged to be amounts owing to the service provider for outstanding claims by medical providers. In respect of the amounts claimed by the service provider, management is of the opinion that the claimed amounts were not substantiated and, thus, no payments were made. The solicitors of the Company and fellow subsidiary had advised management that the Company and fellow subsidiary had a reasonable defence against the claim until such time as sufficient evidence is given by the service provider to support the claimed amounts. Accordingly, management of the Company and fellow subsidiary are of the view that an accrual for the claimed amounts is not necessary at this juncture, as the alleged amounts are not substantiated by documentary evidence.

46. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2013, as prescribed under the RBC Framework is provided below:

	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)
Eligible Tier 1 Capital		
Share capital (paid up)	152,151	152,151
Reserves, including retained earnings	3,840,620	3,738,616
	3,992,771	3,890,767
Tier 2 Capital		
Revaluation reserve	11,647	11,647
Available-for-sale reserves	233,329	264,666
Subordinated term debts	500,000	-
Currency translation reserve	25,150	12,561
	770,126	288,874
Amount deducted from Capital	(75,860)	(75,605)
Total Capital Available	4,687,037	4,104,036

47. INSURANCE FUNDS

The Company's principal activities are organised by funds and segregated into Shareholder's, General and Life funds in accordance with the Financial Services Act, 2013.

The Company's Statement of Financial Position and Income Statement have been further analysed by funds.

The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products.

The General insurance business offers general insurance products which include Motor, Fire, Marine, Aviation and Transit, Health & Surgical and Miscellaneous products.

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total			Shareholder's and General Fund			Life Fund		
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Assets:									
Property, plant and equipment	112,934	111,087	110,304	61,840	62,510	64,220	51,094	48,577	46,084
Investment properties	574,536	569,704	515,070	50,144	45,464	34,600	524,392	524,240	480,470
Prepaid land lease payments	19,874	20,341	20,644	9,960	10,113	10,266	9,914	10,228	10,378
Intangible assets	23,119	25,827	28,462	7,158	1,835	634	15,961	23,992	27,828
Investment in associate	152	152	152	152	152	152	-	-	-
Investments	12,951,711	13,265,325	12,521,592	2,397,805	2,322,616	1,920,156	10,553,906	10,942,709	10,601,436
Financing receivables	267,131	266,379	276,092	9,961	10,677	12,922	257,170	255,702	263,170
Reinsurance assets	1,711,403	1,690,576	1,440,136	1,683,754	1,656,763	1,403,178	27,649	33,813	36,958
Insurance receivables	198,463	371,823	278,332	159,862	340,790	247,107	38,601	31,033	31,225
Other receivables	230,574	248,297	170,294	84,799	76,415	44,910	145,775	171,882	125,384
Derivatives	10,227	688	33,007	(90)	23	(19)	10,317	665	33,026
Current tax assets	39,226	6,602	97,439	47,458	4,302	83,364	(8,232)	2,300	14,075
Cash and bank balances	139,548	159,820	129,372	85,097	86,529	88,044	54,451	73,291	41,328
Total Assets	16,278,898	16,736,621	15,620,896	4,597,900	4,618,189	3,909,534	11,680,998	12,118,432	11,711,362

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

47. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Total			Shareholder's and General Fund			Life Fund		
	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000 (Restated)	1.1.2012 RM'000 (Restated)	31.12.2013 RM'000	31.12.2012 RM'000	1.1.2012 RM'000
Equity and liabilities:									
Share capital	152,151	152,151	152,151	152,151	152,151	152,151	-	-	-
Reserves	2,337,224	2,442,451	2,391,279	2,337,224	2,442,451	2,391,279	-	-	-
	2,489,375	2,594,602	2,543,430	2,489,375	2,594,602	2,543,430	-	-	-
Insurance contract liabilities	12,285,316	12,637,370	12,014,207	2,530,563	2,504,098	2,212,588	9,754,753	10,133,272	9,801,619
Subordinated obligation	500,000	-	-	500,000	-	-	-	-	-
Deferred tax liabilities, net	435,198	429,499	414,642	397,945	373,306	353,103	37,253	56,193	61,539
Insurance payables	211,556	405,177	331,663	188,403	378,684	303,829	23,153	26,493	27,834
Other payables[1]	347,270	295,472	261,192	(1,518,569)	(1,617,827)	(1,544,439)	1,865,839	1,913,299	1,805,631
Interest payable for subordinated obligation	10,183	-	-	10,183	-	-	-	-	-
Dividend payable	-	350,329	-	-	350,329	-	-	-	-
Current tax liabilities	-	24,172	55,762	-	34,997	41,023	-	(10,825)	14,739
Total Liabilities	13,789,523	14,142,019	13,077,466	2,108,525	2,023,587	1,366,104	11,680,998	12,118,432	11,711,362
Total equity and liabilities	16,278,898	16,736,621	15,620,896	4,597,900	4,618,189	3,909,534	11,680,998	12,118,432	11,711,362
Inter fund balances	-	-	-	(1,618,097)	(1,708,351)	(1,631,582)	1,618,097	1,708,351	1,631,582

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

47. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Operating revenue	3,065,493	3,358,476	70,064	54,489	1,457,936	1,426,514	1,537,493	1,877,473
Gross earned premiums	2,442,072	2,830,263	-	-	1,411,187	1,455,607	1,030,885	1,374,656
Premiums ceded to reinsurers	(841,392)	(852,614)	-	-	(821,118)	(832,029)	(20,274)	(20,585)
Net earned premiums	1,600,680	1,977,649	-	-	590,069	623,578	1,010,611	1,354,071
Fee and commission income	65,297	59,727	-	-	59,726	55,718	5,571	4,009
Investment income	610,970	588,088	70,064	54,489	34,297	30,781	506,609	502,818
Realised gains	395,622	261,158	60,164	21,072	24,279	18,672	311,179	221,414
Fair value (losses)/gains	(266,646)	13,511	4,687	10,650	(622)	1,084	(270,711)	1,777
Other operating revenue/(expenses)	155	41,744	(1,740)	(3,595)	973	10,890	922	34,449
Other revenue	805,398	964,228	133,175	82,616	118,653	117,145	553,570	764,467
Gross benefits and claims paid	(2,043,404)	(1,821,877)	-	-	(530,344)	(535,504)	(1,513,060)	(1,286,373)
Claims ceded to reinsurers	220,452	248,789	-	-	202,432	237,753	18,020	11,036
Gross change in contract liabilities	385,612	(658,321)	-	-	(14,014)	(351,385)	399,626	(306,936)
Change in contract liabilities ceded to reinsurers	8,261	314,115	-	-	14,425	317,260	(6,164)	(3,145)
Net benefits and claims	(1,429,079)	(1,917,294)	-	-	(327,501)	(331,876)	(1,101,578)	(1,585,418)
Management expenses	(297,412)	(301,021)	(3,184)	(2,943)	(158,787)	(165,091)	(135,441)	(132,987)
Fee and commission expenses	(185,250)	(209,153)	-	-	(114,421)	(124,874)	(70,829)	(84,279)
Interest on subordinated obligation	(10,183)	-	(10,183)	-	-	-	-	-
Taxation of life fund	(31,061)	(43,999)	-	-	-	-	(31,061)	(43,999)
Other expenses	(523,906)	(554,173)	(13,367)	(2,943)	(273,208)	(289,965)	(237,331)	(261,265)
Profit before tax	453,093	470,410	119,808	79,673	108,013	118,882	225,272	271,855
Surplus transfer from:								
- General Funds	-	-	88,032	85,832	(88,032)	(85,832)	-	-
- Life Par Funds	-	-	8,555	8,600	-	-	(8,555)	(8,600)
- Life Non-Par Funds	-	-	216,717	263,255	-	-	(216,717)	(263,255)
Taxation	(69,847)	(102,869)	(49,866)	(69,619)	(19,981)	(33,050)	-	-
Net profit after tax	383,246	367,541	383,246	367,541	-	-	-	-

47. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Cash flows from:								
Operating activities	(474,446)	805,660	201,789	385,365	72,157	28,581	(748,392)	391,714
Investing activities	754,681	(775,212)	100,042	(384,102)	(74,913)	(31,359)	729,552	(359,751)
Financing activities	(300,507)	-	(300,507)	-	-	-	-	-
Net (decrease)/increase in cash and cash equivalents	(20,272)	30,448	1,324	1,263	(2,756)	(2,778)	(18,840)	31,963
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial year	159,820	129,372	2,024	761	84,505	87,283	73,291	41,328
Cash and cash equivalents at end of financial year	139,548	159,820	3,348	2,024	81,749	84,505	54,451	73,291

48. INVESTMENT-LINKED FUND STATEMENT OF FINANCIAL POSITION

	31.12.2013 RM'000	31.12.2012 RM'000
Assets:		
Investments	1,696,587	1,391,237
Other receivables	14,339	9,017
Derivative assets	13,274	269
Cash and bank balances	126	1,016
Total Assets	1,724,326	1,401,539
Liabilities:		
Deferred tax liabilities (Note 20)	8,156	5,776
Other payables	61,021	36,165
Current tax liabilities	7,629	4,832
Total Liabilities	76,806	46,773
Net asset value of funds (Note 18)	1,647,520	1,354,766

INVESTMENT-LINKED FUND INCOME STATEMENT

	2013 RM'000	2012 RM'000
Investment income	54,681	36,936
Realised gains	49,311	6,304
Fair value gain/(losses)	27,220	(2,960)
Other operating (expenses)/ revenue	(8,315)	34,104
Other revenue	122,897	74,384
Management expenses	(39)	(49)
Other expenses	(39)	(49)
Surplus before tax	122,858	74,335
Taxation	(9,691)	(5,948)
Surplus after tax	113,167	68,387