

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

**Directors' Report, Statement of Corporate Governance, and  
Audited Financial Statements**

**31 December 2017**

**33361-W**

**MAYBANK AGEAS HOLDINGS BERHAD  
(Incorporated in Malaysia)**

<b>CONTENTS</b>	<b>PAGE</b>
Directors' Report	1 - 9
Statement of Corporate Governance	10 - 25
Statement by Directors	26
Statutory Declaration	26
Independent Auditors' Report	27 - 30
Statements of Financial Position	31
Income Statements	32 - 33
Statements of Comprehensive Income	34
Statements of Changes in Equity	35 - 36
Statements of Cash Flows	37 - 39
Notes to the Financial Statements	40 - 236

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

**PRINCIPAL ACTIVITIES**

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

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

**RESULTS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Net profit for the financial year attributable to the equity holders of the Company	<u>734,835</u>	<u>1,098,852</u>

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

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

**DIVIDENDS**

The amount of dividend paid by the Company since 31 December 2016 were as follows:

	<b>RM'000</b>
In respect of financial year ended 31 December 2016, final dividend of:	
- 59.50 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	<u>149,943</u>

The final dividend was declared on 4 April 2017 and paid on 19 September 2017.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**DIVIDENDS (CONTD.)**

**RM'000**

In respect of financial year ending 31 December 2017, interim dividend of:

- 39.60 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	<u>99,794</u>
---	---------------

The interim dividend was declared on 18 September 2017 and paid on 20 December 2017.

At the forthcoming Annual General Meeting, final dividend in respect of the financial year ended 31 December 2017, 99.30 sen per ordinary share on 252,005,522 ordinary shares, amounting to a dividend payable of RM250,241,483 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

**MAYBANK GROUP EMPLOYEE SHARE SCHEME ("ESS")**

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and 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 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 beginning of the financial year to the date of this report are:

Datuk R. Karunakaran (Chairman)	(Redesignated as Chairman with effect from 1 September 2017)
Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor	(Resigned as Chairman with effect from 31 March 2017)
Bart K. A. De Smet (Vice Chairman)	
Gary Lee Crist	
Dato' Johan Ariffin	(Appointed with effect from 1 September 2017)
Dato' Amirul Feisal Wan Zahir	(Appointed with effect from 1 September 2017)
Dato' Majid Mohamad	(Appointed with effect from 1 December 2017)
Datuk Abdul Farid bin Alias	(Resigned with effect from 1 September 2017)

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS (CONTD.)**

Pursuant to Section 205(3) of the Companies Act 2016, Mr. Bart K. A. De Smet and Mr. Gary Lee Crist shall retire at the forthcoming Annual General meeting ("AGM") of the Company and being eligible, offer themselves for re-election.

**DIRECTORS OF SUBSIDIARIES**

The following is a list of directors of the subsidiaries in office as at the date of this report:

Subsidiaries

Directors

Etiqua General Insurance Berhad  
(Formerly known as *Etiqua Insurance Berhad*)

Datuk K. Karunakaran  
Philippe Pol Arthur Latour  
Dato' Johan Ariffin  
Loh Lee Soon  
Frank J.G. Van Kempen  
Nora Abd. Manaf  
Koh Heng Kong

Etiqua Life Insurance Berhad

Datuk K. Karunakaran  
Philippe Pol Arthur Latour  
Dato' Johan Ariffin  
Loh Lee Soon  
Frank J.G. Van Kempen  
Nora Abd. Manaf  
Wong Pakshong Kat Jeong  
Colin Stewart

Etiqua Family Takaful Berhad  
(Formerly known as *Etiqua Takaful Berhad*)

Dato' Majid Mohamad  
Philippe Pol Arthur Latour  
Dato' Johan Ariffin  
Dato' Mohamed Rafique Merican  
Dr. Abdul Rahim Abdul Rahman

Etiqua General Takaful Berhad

Dato' Majid Mohamad  
Philippe Pol Arthur Latour  
Dato' Johan Ariffin  
Koh Heng Kong  
Dato' Mohamed Rafique Merican  
Dr. Abdul Rahim Abdul Rahman

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS OF SUBSIDIARIES (CONTD.)**

The following is a list of directors of the subsidiaries in office as at the date of this report (Contd.):

<u>Subsidiaries</u>	<u>Directors</u>
Etiqua Offshore Insurance (L) Ltd	Frank J.G. Van Kempen Datuk Sulaiman Salleh Lee Hin Sze
Etiqua Life International (L) Ltd	Frank J.G. Van Kempen Datuk Sulaiman Salleh Lee Hin Sze
Etiqua Overseas Investment Pte Ltd	Lee Hin Sze
Double Care Sdn. Bhd. (Under members' voluntary winding-up)	Dato' Aminuddin Bin Md Desa Hans De Cuyper
Etiqua Insurance Pte Ltd	Dato' Mohd Salleh Haji Harun Kamaludin Ahmad Frank J.G. Van Kempen Wong Pakshong Kat Jeong Colin Stewart Haji Salim Bin Abd. Kadir John Lee Hin Hock

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the ESOS and the RSU pursuant to the ESS.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' INDEMNITY**

The Company maintained a Directors' and Officers' ("D&O") Liability Insurance at Maybank Group level throughout financial year 2017. Directors and Officers are indemnified against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. This insurance does not, however, provide coverage in the event of any negligence, fraud, breach of duty, breach of trust or fine upon conviction.

**Premium paid for D&O policy FY2016 & 2017**

Limit of Liability - Group Policy	2016 (RM) Gross	2017 (RM) Gross
250 Million	1,102,000.00	1,060,150.00

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings kept by the Company under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares, ESOS and RSU of the ultimate holding company, MBB, during the financial year were as follows:

	Number of ordinary shares of RM1 each			As at 31.12.2017/ Date of Resignation
	As at 1.1.2017/ Date of Appointment	Issued pursuant to		
		RSU	DRP*	
<b>Direct interest:</b>				
Datuk Abdul Farid bin Alias	237,554	190,655	20,210	448,419
Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor	59,088	-	-	59,088
Dato' Johan Ariffin	299,179	-	5,983	305,162
<b>Indirect interest:</b>				
Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor <sup>1</sup>	34,348	-	-	34,348
Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor <sup>2</sup>	40,820	-	-	40,820

<sup>1</sup> Interest by virtue of shares held by spouse.

<sup>2</sup> Interest by virtue of shares held via children's account.

\* DRP = Dividend Reinvestment Plan

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' INTERESTS (CONTD.)**

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

	Original Exercise Price RM	Granted	Number of share options from ESOS over ordinary shares of RM1 each			Vested as at date of resignation/ appointment 31.12.2017
			Vested as at 1.1.2017	Vested	Exercised	
Datuk Abdul Farid bin Alias	8.82 <sup>1</sup>	1,000,000 <sup>3</sup>	791,000 <sup>3</sup>	-	(375,000)	416,000
Dato' Amirul Feisal Wan Zahir	9.91 <sup>2</sup>	1,410,000	810,000	300,000	-	1,110,000
	9.35 <sup>4</sup>	650,000	250,000	200,000	-	450,000
		<u>3,060,000</u>	<u>1,851,000</u>	<u>500,000</u>	<u>(375,000)</u>	<u>1,976,000</u>

<sup>1</sup> Revised to RM8.71 on 1 November 2016 based on the revision to ESOS First Grant's exercise price.

<sup>2</sup> Revised to RM9.75 on 1 November 2016 based on the revision to ESOS Fourth Grant's exercise price.

<sup>3</sup> Shares options from ESOS granted and vested prior to the appointment as Group President & Chief Executive Officer are 1,000,000 and 575,000 respectively.

<sup>4</sup> Revised to RM9.28 on 1 November 2016 based on the revision to ESOS Fifth Grant's exercise price.

	Grant Date	Number of RSU of ordinary shares of RM1 each				
		Granted as at 1.1.2017	Granted as at 31.12.2017	Vested	Not vested	Outstanding as at 31.12.2017
				during the financial year	during the financial year	
Datuk Abdul Farid bin Alias	30.4.2014 <sup>^^</sup>	200,000	200,000	(190,655)	(9,345)	-
Dato' Amirul Feisal Wan Zahir	30.4.2015	200,000	200,000	-	-	200,000
	30.4.2015	75,000	75,000	-	-	75,000
		<u>475,000</u>	<u>475,000</u>	<u>(190,655)</u>	<u>(9,345)</u>	<u>275,000</u>

<sup>^^</sup> RSU granted prior to the appointment as MBB Group President and CEO.

The remaining ESOS and RSU which were granted to the director have not been vested as at 31 December 2017. The remaining ESOS and RSU will be vested and exercisable upon the fulfillment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE**

The Group and the Company has taken concerted steps to comply with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016. The Company is committed to the standards and practices prescribed in this policy document.

**OTHER STATUTORY INFORMATION**

- (a) Before the statements of financial position and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and
  - (iii) to ascertain that there was adequate provision for the insurance and takaful contract liabilities of the insurance and takaful subsidiaries in accordance with:
    - (i) Malaysia operations  
The valuation method specified in the Risk-Based Capital Framework for Insurers and Takaful Operators issued by Bank Negara Malaysia ("BNM"); and
    - (ii) Singapore operation  
The valuation method specified in Singapore Insurance Act and Insurance (Valuation and Capital) Regulations 2004.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**OTHER STATUTORY INFORMATION (CONTD.)**

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.
- (g) Before the statements of financial position, income statements and statements of other comprehensive income of the Group and the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its Insurance and Takaful liabilities in accordance with:
- (i) Malaysia operations  
The valuation method specified in the Risk-Based Capital Framework for Insurers and Takaful Operators issued by BNM; and
  - (ii) Singapore operation  
The valuation method specified in Singapore Insurance Act and Insurance (Valuation and Capital) Regulations 2004.

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

**33361-W**

**MAYBANK AGEAS HOLDINGS BERHAD  
(Incorporated in Malaysia)**

**SIGNIFICANT EVENTS**

There were no significant events during the financial year other than as disclosed in Note 49 to the financial statements.

**SUBSEQUENT EVENT**

The subsequent events are as disclosed in Note 50 to the financial statements.

**AUDITORS**

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

The auditors' remunerations are as disclosed in Note 32 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2018.



DATUK R. KARUNAKARAN



DATO' AMIRUL FEISAL WAN ZAHIR

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE**

**(1) INTRODUCTION**

The Directors and the Management of the Company place great importance on high standards of corporate conduct and are committed to upholding values of integrity, honesty and proper corporate conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with BNM Policy Document on Corporate Governance issued on 3 August 2016 and is continually enhancing standards of the overall governance of the Company.

**(2) COMPOSITION, FUNCTION AND CONDUCT**

**(a) Board Responsibilities**

In discharging their duties, the Board is equally responsible to ensure compliance with the Financial Services Act 2013 ("the Act") and the BNM Policy Document on Corporate Governance as well as other directives. It also complies with the tenets of corporate governance by adopting best practices as stipulated under Corporate Governance for Insurers Policy.

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 the reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are conducted annually.

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

The composition of the Board and the attendance of the Directors at meetings during the year are as follows:

	<b>Number of Board meetings attended</b>	<b>%</b>
Datuk R. Karunakaran (Chairman)	5/5	100
Mr. Bart K. A. De Smet (Vice Chairman)	4/5	80
Mr. Gary Lee Crist	5/5	100
Dato' Johan Ariffin	2/2	100
Dato' Amirul Feisal Wan Zahir	1/2	50
Dato' Majid Mohamad	-	-

The Board met 5 times during the year.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(b) Directors' Profiles**

**(i) Datuk Karownikaran @ Karunakaran a/l Ramasamy (Datuk R. Karunakaran)**  
***Independent Non-Executive Director (Chairman)***

Datuk R. Karunakaran was appointed as Director of MAHB on 1 March 2016 and re-designated as Chairman on 1 September 2017.

Datuk R. Karunakaran joined the Malaysian Investment Development Authority (formerly known as Malaysian Industrial Development Authority) ("MIDA") in August 1972 and served in various positions including Deputy Director, Director, Deputy Director-General and Director-General. He also served as the Director of MIDA Singapore, Cologne (Germany) and London (England). Having served MIDA for about 36 years, Datuk R. Karunakaran retired as the Director-General of MIDA in June 2008, a position he held for about 4 years. During Datuk R. Karunakaran's service with MIDA, he was responsible for the promotion and coordination of the development of the manufacturing and services sector in Malaysia including promoting domestic and foreign investments in Malaysia.

He was a member of the Cabinet Committee on Investment for High Impact Projects. He was also a member of 'PEMUDAH', a special task force set up by the Prime Minister to facilitate business, improve public service delivery systems in terms of process, procedures, legislation and human resources.

His current directorships in companies within the Maybank Group include as Chairman of Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad), Etiqa Life Insurance Berhad ("ELIB") and Etiqa International Holdings Sdn Bhd ("EIHSB") as well as Director of Malayan Banking Berhad. At present, Datuk R. Karunakaran holds directorships in a few public listed companies such as Integrated Logistics Berhad, IOI Corporation Berhad as well as Bursa Malaysia Berhad. He is also a Director of several private limited companies.

**(ii) Mr. Bart K. A. De Smet (Mr. De Smet)**  
***Non-Independent Non-Executive Director (Vice Chairman)***

Mr. De Smet was initially appointed as a Director of MAHB on 15 January 2010. Mr. De Smet is presently the Chief Executive Officer ("CEO"), member of the Group Executive Committee, member of the Management Committee and Executive Director of Ageas SA/NV headquartered in Belgium since 1 July 2009.

Mr. De Smet began his career with Argenta in 1982 as Executive Vice President IT & Organisation. From 1985 to 1993, he served as Executive Vice President of the Life Division at a Swiss insurance company known as Nationale Suisse. In 1994, he joined ING Insurance Belgium where he was a member of the Executive Committee, responsible for individual and group life insurance, health insurance & banking activities. Mr. De Smet moved to Fortis in 1998, where he was a member of the Management Committee of Fortis AG and responsible for Fortis Employee Benefits.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(b) Directors' Profiles (Contd.)**

**(ii) Mr. Bart K. A. De Smet (Mr. De Smet) (Contd.)**  
***Non-Independent Non-Executive Director (Vice Chairman)***

In 2005, he took charge of the Broker channel at Fortis Insurance Belgium, assuming the position of CEO of Fortis Insurance Belgium in 2007. In June 2009, he became the CEO of Fortis, which was renamed Ageas following the AGM in April 2010. Mr. De Smet other mandates within Ageas includes Executive Board Member of Ageas Insurance International N.V. (Netherlands), Vice Chairman of AG Insurance SA/NV (Belgium) and Non-Executive Board Member of Taiping Life Insurance Co Ltd (China).

He is the Vice President of The Flanders-China Chamber of Commerce ("FCCC"). He is also a member of Belgian Corporate Governance Committee and the Non-Executive Board Member of Muang Thai Holding (Thailand), OKA VZW and Partners in Insurance NV. He is a Board Member of De Warande and Het Depot. Mr. De Smet earned a Degree in Mathematical Sciences from the Catholic University of Leuven and also has Diplomas in Actuarial Sciences and Managerial Sciences from the same University.

**(iii) Mr. Gary Lee Crist (Mr. Crist)**  
***Non-Independent Non-Executive Director***

Mr. Crist was initially appointed as a Director of MAHB on 3 September 2012. He is currently the CEO of Ageas Insurance International N.V. ("Ageas") since August 2011.

Mr. Crist was the Managing Director, Insurance, Asia Commercial Development and Support of Ageas from 2006 to July 2011. He has 30 plus years working experience in insurance in Asia and holds directorships in various insurance companies including Thailand, Malaysia, China and Hong Kong. He also held senior management positions in organisations such as Russell Miller Asia, Liberty Mutual and Cigna.

Mr. Crist is currently a Vice Chairman of MB Ageas Life Insurance Liability Company as well as Director of Ageas Asia Services Limited, Taiping Life Insurance Company and Muang Thai Group Holding Company Limited. He is also an alternate Director of IDBI Federal Life Insurance Company Limited. Mr. Crist is also a member of Audit Committee and Risk Management Committee of Maybank Ageas Holdings Berhad Group.

Mr. Crist holds a Bachelor Degree of Arts in Political Science and Business from the Wittenberg University, Ohio, USA and a Masters Degree in International Management from American Graduate School of International Management, Arizona, USA.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(b) Directors' Profiles (Contd.)**

**(iv) Dato' Johan Ariffin (Dato' Johan)**  
***Independent Non-Executive Director***

Dato' Johan was appointed as Director of MAHB on 1 September 2017.

Dato' Johan started his career in real estate division of Citibank. Thereafter, he held various senior positions in several subsidiaries of public listed companies while venturing into his own successful marketing and advertising consultancy and property development business. He then headed to Danaharta's Property Division as Senior General Manager before moving on to head TTDI Development Sdn Bhd up to January 2009.

His current directorships in companies within the Maybank Group are as Director of Malayan Banking Berhad, Maybank Cambodia Plc, Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad), Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad), Etiqa General Takaful Berhad and Etiqa International Holdings Sdn Bhd.

He is currently also the Chairman of the Battersea Project Holding Company Limited, Battersea Project Land Company Limited and Mitraland Properties Sdn. Bhd. He is a Director of Sime Darby Property Berhad, and a National Council member of the Real Estate Housing Developers' Association Malaysia (REHDA). He is also currently the Chairman of ELIB Board Oversight Committee of Proposed Bangsar Land Development.

**(v) Dato' Amirul Feisal Wan Zahir (Dato' Amirul Feisal)**  
***Executive Director***

Dato' Amirul Feisal, aged 49 was appointed as Director of MAHB on 1 September 2017. He is presently the Group Chief Financial Officer of Maybank since 1 July 2016 and was previously the Group Head, Global Banking of Maybank from October 2014 until June 2016.

Dato' Amirul Feisal began his career with KPMG Plc, London before joining Schroders in 1997. At Schroders, which later became Citigroup Global Markets, his experience spanned across many areas within the Investment Banking division including Project Finance and Privatisations, Corporate Finance, Mergers & Acquisitions as well as coverage of large cap industrial Groups in their Kuala Lumpur, Singapore and Hong Kong offices.

In 2004, he joined BinaFikir Sdn Bhd as a shareholder and Executive Director. Four years later, he was appointed as Managing Director, Head of Investment Banking for Maybank Investment Bank where he was responsible for Investment Banking, Corporate Finance, Equity Capital Markets and Private Equity Divisions. In 2010, he joined Permodalan Nasional Berhad as Executive Vice President of Special Projects and was seconded to Chemical Company of Malaysia Berhad, a public listed company, as Executive Director and subsequently, appointed as Group Managing Director.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(b) Directors' Profiles (Contd.)**

**(v) Dato' Amirul Feisal Wan Zahir (Dato' Amirul Feisal) (Contd.)**  
***Executive Director***

Dato' Amirul Feisal holds a Bachelor of Science degree in Economics majoring in Accounting and Finance from London School of Economics & Political Science, United Kingdom. He is a Fellow of the Institute of Chartered Accountants England and Wales, and a member of the Malaysian Institute of Accountants. He is also a Chartered Banker by Chartered Banker Institute and Asian Institute of Chartered Bankers.

**(vi) Dato' Majid Mohamad (Dato' Majid)**  
***Independent Non-Executive Director***

Dato' Majid was appointed as Director of MAHB on 1 December 2017.

Dato' Majid has extensive experience in the setting up, regulatory planning and rehabilitation of finance and insurance institutions. He started his banking career in BNM in 1977 and held various supervisory roles across key departments, from audit to economics, bank and insurance regulation.

He was CEO of several life and general insurance companies in Malaysia including Pacific and Orient Insurance Berhad, Malaysia National Insurance Berhad, The People's Insurance Co. (Malaysia) Berhad and Talasco Insurance Berhad. In 2001, he facilitated the successful merger of Talasco Insurance Berhad and The People's Insurance Co. (Malaysia) Berhad. He retired as CEO and President of Labuan Reinsurance (L) Ltd at the end of 2010.

Dato' Majid is currently the Managing Advisor of MBM Advisors (L) Ltd, a consultancy outfit based in Labuan International Business and Financial Centre, and Technical Advisor to the Labuan International Insurance association and The Lloyd's of London. He also serves in the Investment Committee of Universiti Malaysia

He is currently an INED of Alliance Islamic Bank Berhad, Pasdec Holdings Berhad and Director of a few private limited companies including Pasdec Resources (South Africa) Ltd, MBM Advisers (L) Ltd, MBM Hartanah Setia Sdn Bhd and UMP Holdings Sdn Bhd. He is also the Chairman of Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) and Etiqa General Takaful Berhad effective from 1 January 2018.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(c) Directors' Training**

The Board acknowledges the importance of continuous education for its Directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet the challenges of the Board.

During the year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programme for Directors of financial institutions, namely the Financial Institutions Directors' Education (FIDE).

The Board continues to assess the training needs of its Directors vide the Board Assessment and identify key areas of focus for training programmes.

Training programmes, conferences and forums attended by the Directors for the financial year ended 31 December 2017 were as follows:

FIDE/ICLIF/FIDE Forum

- Efficient Inefficiency: Making Boards Effective in a Changing World
- Current Issues in Corporate Governance

Etiqa Internal Training

- Etiqa Annual Risk Workshop 2017

Other External Seminar/Conferences

- Invitation to Breakfast Talk with Asian Corporate Governance Association ("ACGA") Corporate Governance ("CG") Watch 2016
- Talk on Judicial Management based on new Companies Act 2016
- Breakfast Series 'Board Excellence: How to Engage and Enthuse beyond Compliance with Sustainability'
- International Association of Insurance Supervisors Annual Conference 2017
- Sustainability Forum for Directors/CEOs: 'The Velocity of Global Change & Sustainability – The New Business Model'
- IMD Seminar: Value Creation & Business Partnering
- Annual Compliance Conference 2017
- IMD Seminar: The Future of Fintech/ Digital Disruption
- Capital Market Director Programme
- I am Ready to Manage Risk (Risk Management Training)
- Sustainability Report and Management Discussion & Analysis – What a Director needs to know

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(c) Directors' Training (Contd.)**

Induction Programme

A comprehensive induction programme has also been established to ease new Directors into their new role and to assist them in their understanding of the Group's management and operations. New Directors would be encouraged to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one sessions with the CEO of the Company and the rest of the Senior Management Committee members/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues facing the Group. The programme covers a wide scope of subject matters, such as the Group's business and strategy, work processes and Board Committees, as well as on Directors duties and responsibilities.

**(d) Board Committees Responsibilities and Composition**

The Board has set up a number of Board Committees and delegates certain responsibilities to them with clear terms of reference. The Board Committees that constitute the core governance structure of the Company are Investment Committee ("IC"), Risk Management Committee ("RMC"), Audit Committee of the Board ("ACB") and Board Oversight Committee for Information Technology. As for the affairs in relation to Nomination and Remuneration, the Company has leveraged on the existing Nomination and Remuneration Committee ("NRC") of the Board which had taken effect since 27 May 2010 as a merged committee of the ultimate holding company (i.e. Maybank) as part of its governance structure.

**(i) Investment Committee ("IC")**

Upon the granting of single licence by BNM on 1 January 2018, the IC is moved from Etiqa Insurance Berhad level to the holding company, MAHB.

The Board established the IC as a governance body to oversee investment related activities, ensuring effective alignment of asset and liability profile of investment portfolio, in consideration of the Company's budgets and risk appetites. The IC is assisted by the Asset Liability Committee ("ALCO") established by the management, to implement the programme of investment activities and monitor the performance of investment portfolio.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(d) Board Committees Responsibilities and Composition (Contd.)**

**(i) Investment Committee ("IC") (Contd.)**

The composition of the IC and the attendance of its members at meetings during the year are as follows:

	<b>Number of IC meetings attended</b>	<b>%</b>
Dato' Amirul Feisal Wan Zahir (Appointed as Chairman with effect from 1 September 2017) Executive Director	1/1	100
Datuk Abdul Farid Alias (Resigned as Chairman with effect from 1 September 2017) Executive Director	3/3	100
Dato' Mohamed Rafique Merican Non-Independent Non-Executive Director	3/4	75
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director	3/4	75

The IC met 4 times during the year.

**(ii) Risk Management Committee ("RMC")**

The RMC is established at the level of the holding company, MAHB.

The establishment of the RMC is 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.

In discharging its responsibilities, the RMC is assisted by the Management Risk Committee ("MRC") established by the Management.

The Risk Management Framework of the Company comprises three main components i.e. policy-making, monitoring, controlling and risk acceptance. The risk management approach would premise on three lines of defense i.e. risk-taking unit, risk control unit and internal audit. Risks have been classified into major risk categories, consisting of financial, insurance operational and enterprise risks.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(d) Board Committees Responsibilities and Composition (Contd.)**

**(ii) Risk Management Committee ("RMC") (Contd.)**

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

The composition of the RMC and the attendance of its members at meetings during the year are as follows:

	<b>Number of RMC meetings attended</b>	<b>%</b>
Mr. Koh Heng Kong (Chairman) Independent Non-Executive Director	9/10	90
Mr. Gary Lee Crist Non-Independent Non-Executive Director	10/10	100
Mr. Wong Pakshong Kat Jeong Colin Stewart (Appointed as member with effect from 1 September 2017) Independent Non-Executive Director	3/3	100
Mr. Loh Lee Soon (Resigned as member with effect from 1 September 2017) Independent Non-Executive Director	7/7	100

The RMC met 10 times during the year.

**(iii) Audit Committee of the Board ("ACB")**

The ACB is established at the level of the holding company, MAHB.

The ACB supports the board in ensuring reliable and transparent financial reporting, independently assess the integrity of organisational wide management practices through the review of audit findings raised by the internal auditors, external auditors and/or regulators, ensuring that corrective actions, where necessary, are taken in a timely manner to ensure the Company's operations run in an effective and efficient manner as well as to safeguard Company's assets and stakeholders' interests.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(d) Board Committees Responsibilities and Composition (Contd.)**

**(iii) Audit Committee of the Board ("ACB") (Contd.)**

The composition of the ACB and the attendance of its members at meetings during the year are as follows:

	<b>Number of Board meetings attended</b>	<b>%</b>
Mr. Loh Lee Soon (Chairman) Independent Non-Executive Director	9/9	100
Mr. Gary Lee Crist Non-Independent Non-Executive Director	9/9	100
Mr. Koh Heng Kong Independent Non-Executive Director	8/9	89
Mr. Wong Pakshong Kat Jeong Colin Stewart (Appointed as member with effect from 1 November 2017) Independent Non-Executive Director	1/1	100

The ACB met 9 times during the year.

**(iv) Nomination and Remuneration Committee ("NRC")**

MAHB and its subsidiaries are currently leveraging on the Group NRC at Maybank level.

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(d) Board Committees Responsibilities and Composition (Contd.)**

**(iv) Nomination and Remuneration Committee ("NRC") (Contd.)**

The composition of the NRC and the attendance of its members at meetings during the year are as follows:

	<b>Number of NRC meetings attended</b>	<b>%</b>
Datuk R. Karunakaran (Appointed as Chairman with effect from 7 April 2017) Independent Non-Executive Director	19/19	100
Dato' Dr Tan Tat Wai (Step down as Acting Chairman with effect from 6 April 2017) Independent Non-Executive Director	5/5	100
Bapak Edwin Gerungan Non-Independent Non-Executive Director	18/19	95
Datin Paduka Jamiah Abdul Hamid (Appointed as Member with effect from 3 January 2017) Independent Non-Executive Director	19/19	100
Mr. Cheng Kee Check Non-Independent Non-Executive Director	19/19	100

The NRC met 19 times during the year.

**(v) Board Oversight Committee for Information Technology ("BOC IT")**

The BOC IT is established at the level of the holding company, MAHB on 18 November 2016.

The BOC IT is a governance body which carries an oversight function for IT related activities in ensuring the following:

- Alignment of IT initiatives with Etiqa 2020 aspirations;
- IT initiatives to drive Etiqa 2020 aspirations are adequately funded and resourced; and
- Adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(2) COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(d) Board Committees Responsibilities and Composition (Contd.)**

**(iv) Board Oversight Committee for Information Technology (BOC IT) (Contd.)**

The composition of the BOC IT and the attendance of its members at meetings during the year are as follows:

	<b>Number of BOC IT meetings attended</b>	<b>%</b>
Mr. Loh Lee Soon (Chairman) Independent Non-Executive Director	9/9	100
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director	7/9	78
Encik Kamaludin Ahmad CEO, MAHB	9/9	100
Encik Mohd Suhail Amar Suresh Group Chief Technology Officer, Maybank	9/9	100
Mr. Hans Van Wuijckhuijse Regional Director, Business Development Ageas Asia	9/9	100

The BOC IT met 9 times during the year.

**(3) INTERNAL CONTROL FRAMEWORK**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(4) QUALITATIVE DISCLOSURES**

**(a) Board Performance**

In line with good corporate governance, the Board has set out its intention to periodically review the Non-Executive Directors remuneration at least once every 3 years as per Maybank Group policy.

The Board believes that one area that the Board needs to focus on in order to remain effective in the discharge of its duties and responsibilities is the setting of a fair and comprehensive remuneration package commensurate with the expertise, skills, responsibilities and the risks of being a director of a financial institution.

**(b) Senior Management Appointment and Performance**

The NRC also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversee the appointment and succession planning of the identified Senior Officers (Chief Financial Officer, Chief Risk Officer and Appointed Actuary) of the Company.

The NRC is responsible to oversee performance evaluation of CEO and Senior Officers.

The NRC is also responsible to ensure all Key Responsible Persons ("KRPs") fulfill the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.

**(5) QUANTITATIVE DISCLOSURES**

**(a) Non-Executive Directors' Remuneration**

The Non-Executive Directors' Remuneration are as follows:

<b>Fees:-</b>	<b>Per Annum (RM)</b>
<b>(1) Board</b>	
- Chairman	157,500
- Member	116,250
<b>(2) Board Committees</b>	
- Chairman	28,500
- Member	25,000
<b>Meeting Allowance</b>	1,000 per meeting attended

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(5) QUANTITATIVE DISCLOSURES (CONTD.)**

**(b) Disclosure of Directors' and CEO's Remuneration**

The details of the Directors' and CEOs' Remuneration for financial year 2017 are disclosed in Note 33 and Note 32(b) to the financial statements respectively.

**(c) Remuneration Policy in respect of Officers of the Company**

Total Compensation, a mixture of Fixed and Variable (i.e. Variable Bonus and Long Term Incentive Plan) is designed to align with the long-term performance of the Company. The balance between the fixed and variable compensation, changes according to individual performance, business/corporate function performance, group performance outcome and individual's level and accountability.

In order to ensure the Maybank Group meets the global best practice, making its worthy of the recognitions that the Maybank Group had been receiving locally, regionally and some globally, on our people management & development infrastructure and practices, the following policies are currently in place:

- (i) Incorporation of Risk-adjusted performance measures in individual KPI. Inputs from control functions and Board Committees are incorporated into sector and individual performance results.
- (ii) Deferral Policy: Any Variable Bonus Award in excess of certain threshold will be deferred over a period of time.
- (iii) Clawback: The Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on variable bonus awards.

Maybank's Employee Share Scheme was introduced in 2011 to deliver competitive Total Compensation with the market as well as ensure a mixture of cash and shares or shares-linked instruments that is aligned to the long-term value creation and the time horizon of risk in our variable compensation.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(5) QUANTITATIVE DISCLOSURES (CONTD.)**

**(c) Remuneration Policy in respect of Officers of the Company (Contd.)**

The following table are the key features of the remuneration framework:

<b>Balanced Scorecard</b>	<ul style="list-style-type: none"> <li>• Maybank Group inculcate pay-for-performance culture by ensuring a close linkage between our compensation and performance outcome as measured through the balanced scorecard.</li> <li>• Current Balanced Scorecard approach covers both quantitative KPIs and qualitative KPIs. It also included risk-adjusted performance KPIs that is consistent with the level of risks undertaken/capital consumption in the generation of returns.</li> </ul>
<b>Maybank Group Variable Bonus</b>	<p><b>Group Performance</b></p> <ul style="list-style-type: none"> <li>• Bonus Funding is based on Group's ROE achievement and as a percentage of NPBT.</li> </ul> <p><b>Business/Corporate Functions Performance</b></p> <ul style="list-style-type: none"> <li>• Performance Measures: Balanced Scorecard approach</li> <li>• Variable Bonus pool allocation to business/corporate functions takes into account the performance of each unit measure to the unit's balanced scorecard evaluated by Group PCEO.</li> </ul> <p><b>Individual performance</b></p> <ul style="list-style-type: none"> <li>• Performance Measures: Balanced Scorecard approach</li> <li>• Distribution of bonus based on staff performance.</li> </ul>
<b>Long Term Incentive Plan</b>	<ul style="list-style-type: none"> <li>• Performance Restricted Share Units awards is subject to a 3 year performance period. The vesting of the awards at the end of the 3 year performance period will be dependent on the performance conditions set at company and individual level.</li> </ul>

**Senior Management**

Senior Management for this purpose is defined as management staff reporting direct to CEO. The performance results of the senior management are reviewed by the Board periodically. Any remuneration pay-out is aligned to the actual performance of the sector and individual.

Each member of the Senior Management carries Risk Management KPI in their individual Scorecard, and are cascaded accordingly. Inputs from control functions and Board Committees are incorporated into sector and individual performance results.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CORPORATE GOVERNANCE (CONTD.)**

**(5) QUANTITATIVE DISCLOSURES (CONTD.)**

**(c) Remuneration Policy in respect of Officers of the Company (Contd.)**

**Senior Management (Contd.)**

Details of the remuneration granted to eligible Senior Management Officers are disclosed in the table below:

**Group**

Remuneration	Unrestricted		Deferred	
	No. of pax	RM'000	No. of pax	RM
<b>Material Risk Taker "Senior Management"</b>				
Cash-based	13	7,236	Nil	
Shares and share-linked instruments (ESOS etc)				
Other	Nil			
<b>Other Material Risk Taker "OMRT"</b>				
Cash-based	4	1,657	Nil	
Shares and share-linked instruments (ESOS etc)				
Other	Nil			

**Company**

Remuneration	Unrestricted		Deferred	
	No. of pax	RM'000	No. of pax	RM
<b>Material Risk Taker "Senior Management"</b>				
Cash-based	9	5,622	Nil	
Shares and share-linked instruments (ESOS etc)				
Other	Nil			
<b>Other Material Risk Taker "OMRT"</b>				
Cash-based	Nil			
Shares and share-linked instruments (ESOS etc)				
Other	Nil			

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

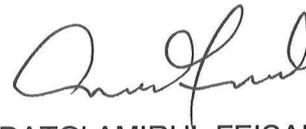
**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Datuk R. Karunakaran and Dato' Amirul Feisal Wan Zahir, being two of the directors of Maybank Ageas Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 236 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2018.



DATUK R. KARUNAKARAN



DATO' AMIRUL FEISAL WAN ZAHIR

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

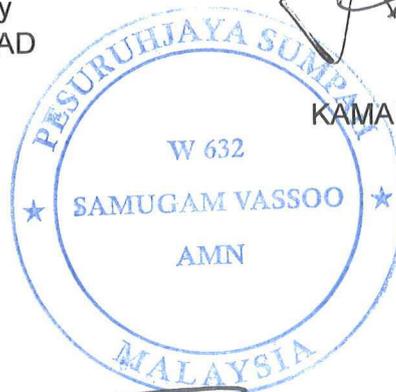
I, Kamaludin Ahmad, being the officer primarily responsible for the financial management of Maybank Ageas Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 236 are in my opinion correct, and I make this solemn declaration conscientiously 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 26 February 2018

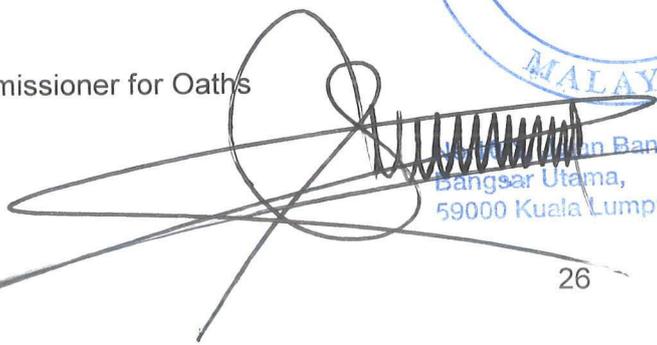


KAMALUDIN AHMAD

Before me,



Commissioner for Oaths



Bangsar Utama 1  
Bangsar Utama,  
59000 Kuala Lumpur.

33361-W

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

**Report on the Audit of Financial Statements**

*Opinion*

We have audited the financial statements of Maybank Ageas Holdings Berhad ("the Company"), which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2017, and a summary of significant accounting policies, as set out on pages 31 to 236.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and Other Ethical Responsibilities*

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

*Information Other than the Financial Statements and Auditors' Report Thereon*

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the Statement of Corporate Governance, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

33361-W

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

*Information Other than the Financial Statements and Auditors' Report Thereon (Contd.)*

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

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

*Responsibilities of the Directors for the Financial Statements*

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

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

*Auditors' responsibility for the audit of the financial statements*

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

33361-W

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

*Auditors' responsibility for the audit of the financial statements (Contd.)*

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

33361-W

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

*Auditors' responsibility for the audit of the financial statements (Contd.)*

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

**Other Matters**

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



Ernst & Young  
AF: 0039  
Chartered Accountants



Yeo Beng Yean  
No. 03013/10/2018 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
26 February 2018

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets:</b>					
Property, plant and equipment	3	123,331	129,132	455	-
Investment properties	4	749,432	754,870	-	-
Prepaid land lease payments	5	18,557	18,965	-	-
Intangible assets	6	83,730	71,876	-	-
Investment in subsidiaries	7	-	-	2,606,470	1,636,470
Investment in associates	8	1,238	1,238	-	-
Investments	9	27,152,672	25,719,774	72,148	188,941
Financing receivables	11	257,778	266,738	1,113	752
Reinsurance/retakaful assets	12	3,082,373	3,701,131	-	-
Insurance/takaful receivables	13	615,300	437,524	-	-
Other receivables	14	860,158	360,027	2,932	4,413
Derivative assets	15	12,733	56	-	-
Deferred tax assets	16	9,789	8,958	-	-
Current tax assets		25,955	79,843	990	1,251
Cash and bank balances		411,832	377,340	3,460	2,805
<b>Total Assets</b>		<b>33,404,878</b>	<b>31,927,472</b>	<b>2,687,568</b>	<b>1,834,632</b>
<b>Equity:</b>					
Share capital	17	660,866	252,005	660,866	252,005
Reserves	18	4,868,831	4,831,572	2,019,619	1,579,849
<b>Total Equity</b>		<b>5,529,697</b>	<b>5,083,577</b>	<b>2,680,485</b>	<b>1,831,854</b>
<b>Liabilities:</b>					
Insurance/takaful contract liabilities	19	24,227,221	23,421,288	-	-
Subordinated obligations	20	800,000	800,000	-	-
Expense liabilities	21	517,710	526,978	-	-
Derivative liabilities	15	25,806	64,204	-	-
Deferred tax liabilities	16	630,356	618,789	-	153
Insurance/takaful payables	22	499,019	414,741	-	-
Other payables	23	1,156,229	986,586	7,083	2,625
Interest/profit payable on subordinated obligations	20	11,308	11,309	-	-
Current tax liabilities		7,532	-	-	-
<b>Total Liabilities</b>		<b>27,875,181</b>	<b>26,843,895</b>	<b>7,083</b>	<b>2,778</b>
<b>Total equity and liabilities</b>		<b>33,404,878</b>	<b>31,927,472</b>	<b>2,687,568</b>	<b>1,834,632</b>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Operating revenue</b>	24	<u>7,166,351</u>	<u>6,441,252</u>	<u>1,106,451</u>	<u>210,050</u>
Gross earned premiums/ contributions	25(a)	5,966,158	5,481,504	-	-
Earned premiums/contributions ceded to reinsurers/retakaful	25(b)	<u>(918,691)</u>	<u>(1,183,464)</u>	-	-
<b>Net earned premiums/ contributions</b>		<u>5,047,467</u>	<u>4,298,040</u>	-	-
Fee and commission income	26	87,511	91,188	-	-
Investment income	27	1,214,131	1,114,731	1,106,451	210,050
Realised gains	28	578,397	170,140	533	93,227
Fair value gain	29	85,379	71,180	-	-
Other operating (expenses)/ income, net	30	<u>(144,604)</u>	<u>(1,902)</u>	116	25
<b>Other revenue</b>		<u>1,820,814</u>	<u>1,445,337</u>	<u>1,107,100</u>	<u>303,302</u>
Gross benefits and claims paid	31(a)	(3,644,317)	(3,973,170)	-	-
Claims ceded to reinsurers/ retakaful	31(b)	707,540	725,176	-	-
Gross change in contract/ certificate liabilities	31(c)	(1,055,174)	(651,691)	-	-
Change in contract/certificate liabilities ceded to reinsurers/retakaful	31(d)	<u>(624,803)</u>	<u>228,380</u>	-	-
<b>Net benefits and claims</b>		<u>(4,616,754)</u>	<u>(3,671,305)</u>	-	-
Management expenses	32	(710,318)	(668,532)	(24,479)	(13,069)
Reimbursement of shared services		17,159	10,148	17,159	10,148
Change in expense liabilities	35	9,268	(56,447)	-	-
Fee and commission expenses	36	(490,960)	(468,781)	-	-
Interest on subordinated obligations		(34,210)	(34,240)	-	-
Tax borne by policyholders/ participants	37	<u>(69,292)</u>	<u>(43,953)</u>	-	-
<b>Other expenses</b>		<u>(1,278,353)</u>	<u>(1,261,805)</u>	<u>(7,320)</u>	<u>(2,921)</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Profit before taxation</b>		973,174	810,267	1,099,780	300,381
Taxation	37	(234,620)	(201,237)	(928)	(1,160)
Zakat		(3,719)	(3,457)	-	-
<b>Net profit for the year</b>		<u>734,835</u>	<u>605,573</u>	<u>1,098,852</u>	<u>299,221</u>
<b>Profit attributable to:</b>					
Equity holders of the Company		<u>734,835</u>	<u>605,573</u>	<u>1,098,852</u>	<u>299,221</u>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Net profit for the year</b>		<u>734,835</u>	<u>605,573</u>	<u>1,098,852</u>	<u>299,221</u>
<b>Other comprehensive (losses)/ income:</b>					
<b>Item that may be subsequently reclassified to income statement</b>					
Change in value of Available-for-Sale ("AFS") financial assets, net		(28,695)	13,348	(484)	(82)
- Fair value changes		380,856	59,876	(104)	(73)
- Transfer to profit or loss upon disposal	28	(403,011)	(71,438)	(533)	(45)
- Fair value adjustments on AFS financial assets backing participants' funds		(15,821)	28,532	-	-
Tax effect relating to AFS financial assets	37	9,281	(3,622)	153	36
Currency translation differences		<u>(10,283)</u>	<u>(6,420)</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive (losses)/ income for the year, net of tax</b>		<u>(38,978)</u>	<u>6,928</u>	<u>(484)</u>	<u>(82)</u>
<b>Total comprehensive income for the year attributable to equity holder</b>		<u>695,857</u>	<u>612,501</u>	<u>1,098,368</u>	<u>299,139</u>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

Group	Note	<-----Non-distributable----->				Retained Earnings			Total Equity Attributable to Shareholders RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	AFS Reserves RM'000	Other Reserves RM'000	Non- Distributable Non-DPF Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000			
<b>At 1 January 2017</b>		252,005	401,561	(1,961)	80,326	1,719,813	2,631,833	4,351,646	5,083,577	-	5,083,577
Net profit after tax for the year		-	-	-	-	163,820	571,015	734,835	734,835	-	734,835
Other comprehensive losses for the year		-	-	(28,695)	(10,283)	-	-	-	(38,978)	-	(38,978)
Total comprehensive income/ (losses)		-	-	(28,695)	(10,283)	163,820	571,015	734,835	695,857	-	695,857
Transfer to share capital	2.5	408,861	(401,561)	-	(7,300)	-	-	-	-	-	-
Transfer from revaluation reserves upon disposal investment of property		-	-	-	(10,574)	-	10,574	10,574	-	-	-
Transfer from non-par surplus recommendation by the Appointed Actuary		-	-	-	-	(114,000)	114,000	-	-	-	-
Dividend on ordinary shares	38	-	-	-	-	-	(249,737)	(249,737)	(249,737)	-	(249,737)
<b>At 31 December 2017</b>		<b>660,866</b>	<b>-</b>	<b>(30,656)</b>	<b>52,169</b>	<b>1,769,633</b>	<b>3,077,685</b>	<b>4,847,318</b>	<b>5,529,697</b>	<b>-</b>	<b>5,529,697</b>
<b>At 1 January 2016</b>		252,005	401,561	(15,309)	86,746	1,547,254	2,449,060	3,996,314	4,721,317	-	4,721,317
Net profit after tax for the year		-	-	-	-	172,559	433,014	605,573	605,573	-	605,573
Other comprehensive income/(losses) for the year		-	-	13,348	(6,420)	-	-	-	6,928	-	6,928
Total comprehensive income/ (losses)		-	-	13,348	(6,420)	172,559	433,014	605,573	612,501	-	612,501
Dividend on ordinary shares	38	-	-	-	-	-	(250,241)	(250,241)	(250,241)	-	(250,241)
<b>At 31 December 2016</b>		<b>252,005</b>	<b>401,561</b>	<b>(1,961)</b>	<b>80,326</b>	<b>1,719,813</b>	<b>2,631,833</b>	<b>4,351,646</b>	<b>5,083,577</b>	<b>-</b>	<b>5,083,577</b>

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

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

Company	Note	Share Capital RM'000	←----- Share Premium RM'000	Non-distributable AFS Reserves RM'000	-----> Other Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
<b>At 1 January 2017</b>		252,005	401,561	484	7,300	1,170,504	1,831,854
Net profit after tax for the year		-	-	-	-	1,098,852	1,098,852
Other comprehensive losses for the year		-	-	(484)	-	-	(484)
Total comprehensive income/ (losses)		-	-	(484)	-	1,098,852	1,098,368
Transfer to share capital	2.5	408,861	(401,561)	-	(7,300)	-	-
Dividend on ordinary shares	38	-	-	-	-	(249,737)	(249,737)
<b>At 31 December 2017</b>		<b>660,866</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,019,619</b>	<b>2,680,485</b>
<b>At 1 January 2016</b>		252,005	401,561	566	7,300	1,121,524	1,782,956
Net profit after tax for the year		-	-	-	-	299,221	299,221
Other comprehensive losses for the year		-	-	(82)	-	-	(82)
Total comprehensive income/ (losses)		-	-	(82)	-	299,221	299,139
Dividend on ordinary shares	38	-	-	-	-	(250,241)	(250,241)
<b>At 31 December 2016</b>		<b>252,005</b>	<b>401,561</b>	<b>484</b>	<b>7,300</b>	<b>1,170,504</b>	<b>1,831,854</b>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	973,174	810,267	1,099,780	300,381
<i>Adjustments for:</i>				
Amortisation of:				
- intangible assets	9,734	7,405	-	-
- prepaid land lease payments	408	303	-	-
Depreciation of property, plant and equipment	13,954	13,634	10	-
Fair value gains on:				
- investment	(83,444)	(62,256)	-	-
- investment properties	(1,935)	(8,924)	-	-
(Gains)/losses on disposal of:				
- investments	(502,795)	(142,715)	(533)	(45)
- investments properties	(75,819)	-	-	-
- property, plant and equipment	216	(27,425)	-	-
Gain on liquidation of subsidiaries	-	-	-	(93,182)
Gross dividend income	(82,325)	(71,280)	(1,102,697)	(205,269)
Interest/profit and rental income	(1,152,234)	(1,072,223)	(3,653)	(4,680)
Interest expense	34,210	34,240	-	-
(Reversal of impairment losses)/ impairment losses on:				
- receivables	3,496	(18,764)	-	-
- investments	56,512	48,036	-	-
- others	1,399	(5,434)	-	-
Property, plant and equipment written off	-	-	-	-
Bad debts written off	1,300	1,922	-	-
Taxation of life and takaful funds	69,292	43,953	-	-
Unrealised gain on foreign exchange	71,294	(18,701)	-	-
<i>Operating loss before changes in assets and liabilities</i>	(663,563)	(467,962)	(7,093)	(2,795)

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Net proceeds from (purchase)/ disposal of investments	(1,618,636)	(1,495,543)	102,208	1,029
Net decrease in fixed and call deposits	472,834	736,688	14,482	44,254
	<u>(1,809,365)</u>	<u>(1,226,817)</u>	<u>109,597</u>	<u>42,488</u>
Decrease/(Increase) in reinsurance assets	617,363	(134,869)	-	-
Decrease/(increase) in financing receivables	2,992	17,506	(361)	580
Decrease/(increase) in insurance receivables	(173,881)	116,179	-	-
Decrease/(increase) in other receivables	(749,257)	55,833	415	(769)
Increase/(decrease) in insurance payables	84,278	(43,884)	-	-
Increase in payables	169,643	213,560	4,332	501
(Decrease)/Increase in expense liabilities	(9,268)	56,447	-	-
Increase in insurance/takaful contract liabilities	1,020,284	515,707	-	-
Foreign exchange effects	(1,185)	1,278	-	-
Investment income received	1,480,962	1,117,781	237,078	210,692
Tax paid	(213,305)	(157,821)	(669)	(1,312)
Zakat paid	(3,797)	(8,429)	-	-
Mudharabah paid	(135,901)	(84,198)	-	-
<i>Net cash generated from operating activities</i>	<u>279,563</u>	<u>438,273</u>	<u>350,392</u>	<u>252,180</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Capital injection in subsidiary	-	-	(100,000)	-
Purchase of intangible assets	(20,833)	(24,484)	-	-
Purchase of property, plant and equipment	(9,594)	(11,835)	-	-
Proceeds from disposal of intangible assets	289	-	-	-
Purchase of investment properties	(84,517)	(31,034)	-	-
Proceeds from disposal of investment properties	167,709	-	-	-
Proceeds from disposal of property, plant and equipment	(172)	28,312	-	-
<i>Net cash used in investing activities</i>	<u>52,882</u>	<u>(39,041)</u>	<u>(100,000)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of dividends	(249,737)	(250,241)	(249,737)	(250,241)
Interest paid on subordinated obligation	(34,210)	(34,247)	-	-
<i>Net cash used in financing activities</i>	<u>(283,947)</u>	<u>(284,488)</u>	<u>(249,737)</u>	<u>(250,241)</u>
<b>Net increase in cash and cash equivalents</b>	48,498	114,744	655	1,939
<b>Effects of exchange rate changes</b>	(14,006)	(27,177)	-	-
<b>Cash and cash equivalents at beginning of year</b>	<u>377,340</u>	<u>289,773</u>	<u>2,805</u>	<u>866</u>
<b>Cash and cash equivalents at end of year</b>	<u>411,832</u>	<u>377,340</u>	<u>3,460</u>	<u>2,805</u>
<b>Cash and cash equivalents comprise:</b>				
<b>Cash and bank balances:</b>				
Shareholders' and general funds	126,672	106,447	3,460	2,805
Life fund	205,782	130,353	-	-
General takaful fund	33,959	69,694	-	-
Family takaful fund	45,419	70,846	-	-
	<u>411,832</u>	<u>377,340</u>	<u>3,460</u>	<u>2,805</u>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

**1. CORPORATE INFORMATION**

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2018.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation and presentation of the financial statements**

**(a) Statement of compliance**

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

At the beginning of the current financial year, there were no new and revised MFRSs which were mandatory for the financial periods beginning on or after 1 January 2017. The Group and the Company, however, have adopted those Amendments to MFRSs effective for the annual periods beginning on or after 1 January 2017 as disclosed in Note 2.3.

The Company's subsidiaries, Etiqa General Insurance Berhad ("EGIB") and Etiqa Family Takaful Berhad ("EFTB"), have met the minimum capital requirements as prescribed by the RBC Frameworks for Insurers and Takaful Operators issued by BNM as at the reporting date.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.1 Basis of preparation and presentation of the financial statements (Contd.)**

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies**

**(i) Basis of Consolidation**

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

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

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

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

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

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

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(i) Basis of Consolidation (Contd.)**

Subsidiaries are consolidated using the acquisition method.

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

**(ii) Investment in Subsidiaries**

Subsidiaries are entities controlled by the Company.

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

**(iii) Associates**

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iii) Associates (Contd.)**

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

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iv) Property, Plant and Equipment and Depreciation**

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

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

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

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(iv) Property, Plant and Equipment and Depreciation (Contd.)**

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

**(v) Investment Properties**

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(v) Investment Properties (Contd.)**

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

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

**(vi) Leases**

**(a) Classification**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(vi) Leases (Contd.)**

**(b) Finance Leases - the Group as Lessee**

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

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

**(c) Operating Leases - the Group as Lessor**

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

**(d) Operating Leases - the Group as Lessee**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(vii) Intangible Assets**

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

Amortisation is charged to profit or loss.

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

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

**(a) Software Development Costs**

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

**(b) Computer Software and Licences**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(viii) Financial Assets**

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

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

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

**(a) Financial Assets at FVTPL**

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

Financial assets can only be designated at FVTPL upon initial recognition if the following criteria are met:

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(viii) Financial Assets (Contd.)**

**(b) LAR**

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

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

**(c) AFS Financial Assets**

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(viii) Financial Assets (Contd.)**

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

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

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

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(x) Impairment**

**(a) Financial Assets**

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

Insurance/takaful receivables

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(x) Impairment (Contd.)**

**(a) Financial Assets (Contd.)**

Insurance/takaful receivables (Contd.)

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

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

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

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.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(x) Impairment (Contd.)**

**(a) Financial Assets (Contd.)**

AFS financial assets (Contd.)

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

Unquoted equity securities carried at cost

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

Loans and receivables

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(x) Impairment (Contd.)**

**(b) Non-Financial Assets**

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

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

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

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

**(xi) Reinsurance/retakaful Assets**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xi) Reinsurance/Retakaful Assets (Contd.)**

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

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

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

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

**(xii) Insurance/Takaful Receivables**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xii) Insurance/Takaful Receivables (Contd.)**

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

**(xiii) Cash and Cash Equivalents**

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

**(xiv) Equity Instruments**

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

**(xv) Product Classification**

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xv) Product Classification (Contd.)**

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

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xv) Product Classification (Contd.)**

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

**(xvi) General Insurance/Takaful Contract Liabilities**

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

**(a) Claim Liabilities**

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

Provision for claims reported are recognised upon notification by policyholders/participants.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xvi) General Insurance/Takaful Contract Liabilities (Contd.)**

**(b) Premium/Contribution Liabilities**

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

General insurance business

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

- UPR

The UPR represents the portion of the 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 and aviation cargo, and transit business; and
- all other classes of business, except treaty, using time-apportionment basis over the period of the risks, after deducting commissions, not exceeding limits specified by BNM; that relate to the unexpired periods of policies at the end of the financial year; and
- all other classes of treaty business with a deduction of commission; at the following bases:
  - i) 1/8th method for quarterly statement
  - ii) 1/24th method for monthly statement

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xvi) General Insurance/Takaful Contract Liabilities (Contd.)**

**(b) Premium/Contribution Liabilities (Contd.)**

General insurance business (contd.)

- URR

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

General takaful business

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

- UCR

UCR represent the portion of the contributions of takaful certificates written that relate to the unexpired periods of the certificates at the reporting date.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xvi) General Insurance/Takaful Contract Liabilities (Contd.)**

**(b) Premium/Contribution Liabilities (Contd.)**

General takaful business (Contd.)

• UCR (Contd.)

- 25% method for marine cargo and aviation cargo, and transit business; and
- all other classes of general business, using time-apportionment basis over the period of the risks, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

Wakalah

The UCR for wakalah business is calculated on contribution with a further deduction for wakalah management expense to reflect the wakalah business principle.

• URR

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xvii) Life Insurance Contract Liabilities**

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

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xviii) Family Takaful Certificate Liabilities**

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

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xix) Financial Liabilities**

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

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

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

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

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

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

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.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xx) Expense Liabilities**

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

**(a) General Takaful Business**

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

(1) Provision for unearned wakalah fees

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

(2) Unexpired expense reserves

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

**(b) Family Takaful Fund**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxii) Measurement and Impairment of Qard**

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

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

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

**(xxiii) Insurance/Takaful Payables**

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

**(xxiv) Offsetting of Financial Assets and Financial Liabilities**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxv) Premium/Contribution Income**

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

**(a) General Insurance/Takaful Business**

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

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

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

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

**(b) Life Insurance/Family Takaful Business**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxv) Premium/Contribution Income (Contd.)**

**(b) Life Insurance/Family Takaful Business (Contd.)**

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

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

**(xxvi) Benefits and Claims Expenses**

**(a) General Insurance/Takaful Business**

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

**(b) Life Insurance/Family Takaful Business**

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

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

- maturity and other policy/certificate benefit payments due on specified dates are treated as claims payable on the due dates; and
- death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxvii) Commission Expenses and Acquisition Costs**

**(a) General Insurance Business**

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

**(b) General Takaful Business**

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

Mudharabah principle

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

Wakalah principle

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

**(c) Life Insurance Business**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

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

**(d) Family Takaful Business**

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

Mudharabah principle

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

Wakalah principle

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

**(xxviii) Other Revenue Recognition**

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

**(a) Interest/Profit Income**

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

**(b) Dividend Income**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxviii) Other Revenue Recognition (Contd.)**

**(c) Rental Income**

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

**(d) Fund Management Fees**

Fund management fees are recognised when services are rendered.

**(e) Management Fees**

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

**(f) Wakalah Fees**

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

**(xxix) Fee and Commission Income**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxx) Employee Benefits**

**(a) Short-term Benefits**

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

**(b) Defined Contribution Plans**

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

**(c) Share-based Compensation**

(1) ESOS

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxx) Employee Benefits (Contd.)**

**(c) Share-based Compensation (Contd.)**

**(2) Restricted share units ("RSU")**

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

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

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

**(xxxi) Foreign Currencies**

**(a) Functional and Presentation Currency**

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

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

**(b) Foreign Currency Transactions**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxxi) Foreign Currencies (Contd.)**

**(b) Foreign Currency Transactions (Contd.)**

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

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

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

**(c) Foreign Operations**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

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

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

	<b>31.12.2017</b>	<b>31.12.2016</b>
Singapore Dollar	3.03	3.10
100 Pakistan Rupee	0.04	0.04
United States Dollar	4.05	4.49
Brunei Dollar	3.01	3.10

**(xxxii) Income Tax**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(xxxii) Income Tax (Contd.)**

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

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

**(xxxiii) Zakat**

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

**2.3 Amendments to MFRS**

At the beginning of the current financial year, the Group and the Company adopted the following amendments to MFRSs and annual improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2017:

MFRS 107 *Statement of Cash Flows* - Disclosure Initiative  
(Amendments to MFRS 107)

MFRS 112 *Income Taxes* - Recognition of Deferred Tax for Unrealised Losses  
(Amendments to MFRS 112)

Amendment to MFRS 12 *Disclosure of Interests in Other Entities*  
(Annual Improvements to MFRSs 2014-2016 Cycle)

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 2 <i>Share-based Payment - Classification and Measurement of Share-based Payment Transactions</i> (Amendments to MFRS 2)	1 January 2018
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i> (Amendments to MFRS 4)	1 January 2018
Transfer to Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle:	
(i) Amendment to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3 <i>Business Combinations</i> and MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(ii) Amendments to MFRS 112 <i>Income Tax</i>	1 January 2019
(iii) Amendments to MFRS 123 <i>Borrowing Costs</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
MFRS 10 <i>Consolidated Financial Statements</i> (Amendments to MFRS 10) and MFRS 128 <i>Investment in Associates and Joint Ventures</i> (Amendments to MFRS 128): <i>Sale or Contribution of Assets between an investor and its Associate or Joint venture</i> (Amendments to MFRS 128)	To be announced by MASB

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

The Group and the Company do not expect that the adoption of the above pronouncements will have significant financial implications in future financial statements other than the following:

**MFRS 9 *Financial Instruments***

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

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

**(i) Classification and measurement**

MFRS 9 requires financial assets to be classified on the basis of two criteria:

- (1) The business model within financial assets are managed; and
- (2) The contractual cash flows characteristic.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 9 *Financial Instruments* (Contd.)**

**(i) Classification and measurement (Contd.)**

At initial recognition, each financial assets will be classified as either amortised cost, fair value through other comprehensive income ("FVOCI"), or FVTPL as summarised in below table:

Amortised Cost	Fair Value	
	FVOCI	FVTPL
<ul style="list-style-type: none"> <li>Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.</li> </ul>	<ul style="list-style-type: none"> <li>Financial assets will be measured at FVOCI if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.</li> <li>Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (i.e. without recycling profit or loss upon derecognition).</li> </ul>	<ul style="list-style-type: none"> <li>Financial assets will be measured at FVTPL if the assets that are held for trading or financial assets that qualify for neither held at amortised cost nor at FVOCI.</li> <li>Equity instruments that were not elected for FVOCI will be measured at FVTPL.</li> </ul>

Classification and measurement of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 9 *Financial Instruments* (Contd.)**

**(ii) Impairment**

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under the current accounting standard. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

The measurement of expected loss will involve increased complexity and judgement that include:

- Determining a significant increase in credit risk since initial recognition

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

3 Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest/profit income	Gross carrying amount	Gross carrying amount	Net carrying amount

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 9 *Financial Instruments* (Contd.)**

**(ii) Impairment (Contd.)**

- ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and the exposure at default model ("EAD"). The model is to leverage as much as possible in accordance to Maybank Group's Basel II models and performed the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Company decided to continue measure the impairment on an individual transaction basis for financial assets that are deemed to be individually significant.

- Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioural life.

- Forward looking information

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information will be based on the Group's and the Bank's research arm, Maybank Kim Eng ("MKE"). In addition, the MKE Research's assumptions and analysis would also be based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 9 *Financial Instruments* (Contd.)**

Maybank has established a MFRS 9 project sponsored by Group Chief Financial Officer and co-sponsored by Group Chief Risk Officer and includes the subject matter experts with assistance from external consultants to plan and manage the implementation of MFRS 9. This implementation project consists of the following phases:

**(a) Phase 1 - Impact assessment and solution development**

This phase involves the following:

- (i) Provide a clear understanding of the new accounting requirements via training;
- (ii) Perform gap and impact assessment;
- (iii) Understand the interdependencies with other projects; and
- (iv) Develop MFRS 9 blue-print.

**(b) Phase 2 - Build, test and deploy**

This phase aims to:

- (i) Develop detailed implementation plan;
- (ii) Determine accounting policies to be adopted by the Group and the Company; and
- (iii) Identify optimal solutions for the Company.

**(c) Phase 3 - Go live**

This phase involves the following:

- (i) Parallel run and deployment of solution tools; and
- (ii) Reassessment of solution tools and conclusion.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 9 *Financial Instruments* (Contd.)**

The Group had completed Phase 1 during the financial year ended 31 December 2016 and Phase 2 on 30 June 2017. Specifically on 1 July 2017, the Group has carried out the Phase 3 - parallel run on the financial instruments that are impacted by the classification and measurement requirements and ECL computation based on the developed impairment methodology. During the financial year ended 31 December 2017, the Group has also developed its approach for assessing significant increase in credit risk, incorporating forward looking information, including the probability weighted outcome of future economic conditions.

The overall governance of MFRS 9 project implementation is through the MFRS 9 Project Steering Committee which includes representation from Finance, Risk, IT and various Business sectors. In addition, the Audit Committee of the Board and the Board of Directors have provided effective oversight of the Group's progress in preparation of MFRS 9 adoption along with the regular updates on the MFRS 9 progress and readiness by the project team.

Overall, the Group and the Company anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification and measurement requirements will affect the presentation and disclosures within the Group's and the Company's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses. The final impacts are still being assessed and may be adjusted as necessary.

**MFRS 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)**

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 which include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group and the Company adopt the standard on its effective date, using the modified retrospective method of adoption. The standard does not apply to income or revenue associated with financial instruments scoped in MFRS 9 such as loan, advances and financing and financial investment securities.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

***MFRS 15 Revenue from Contracts with Customers (Contd.)***

Maybank has established a project team, with assistance from the various lines of business and finance management to evaluate the potential impact of adopting this standard. The implementation efforts included the scoping of material revenue streams, analysis of underlying contracts, business unit discussion to further assess specific contracts and products and the development of updated disclosures. Based on the completed contracts reviews to date, the potential changes in revenue recognition for those contracts are not expected to result in a material impact to the Group and the Company upon adoption. The project team is developing additional quantitative and qualitative disclosures that will be required upon the adoption of the new revenue recognition standard.

***Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)***

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Group has opted not to apply the exemptions permitted under these amendments and will fully adopt MFRS 9 effective on 1 January 2018.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**Transfers of Investment Property (Amendments to MFRS 140)**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property is insufficient to support the change in use.

The amendments apply for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply these amendments:

- (i) The *prospective* approach – apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date; or
- (ii) The *retrospective* approach – apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

**MFRS 16 Leases**

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

- (i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

- (ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 16 Leases (Contd.)**

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

**MFRS 10 Consolidated Financial Statements (Amendments to MFRS 10) and MFRS 128 Investment in Associates and Joint Ventures (Amendments to MFRS 128): Sale or Contribution of Assets between an investor and its Associate or Joint venture (Amendments to MFRS 128)**

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments require the full gain to be recognised when the assets are transferred to an associate or joint venture in which it meets the definition of a business as defined in MFRS 3 *Business Combinations*. Any gain or loss on assets transferred to an associate or joint venture that do not meet the definition of a business would be recognised only to the extent of the unrelated investors' interest in the associate or joint venture. The amendments are applied prospectively effective for periods beginning on or after 1 January 2016, with early application permitted.

On 31 December 2015, MASB announced to defer the effective date of the amendments, except for the amendments which clarify how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests, where early application still permitted. The deferment is in line with the IASB's recent decision which removed the requirement to apply Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) by 2016. The IASB's reason for making the decision to defer the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)**

The amendments clarify that an entity applies MFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 *Investments in Associates and Joint Ventures*.

The amendments must be applied retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the Company does not expect the amendments to have any impact on the Group's and the Company's financial statements.

**MFRS 17 *Insurance Contracts***

MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**MFRS 17 *Insurance Contracts* (Contd.)**

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard is effective for annual periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. An entity shall apply MFRS 17 retrospective approach for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM, as defined by MFRS 108 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- (i) Modified retrospective approach  
Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.
- (ii) Fair value approach  
The CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

The Group has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**IC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

IC Interpretation 22 addresses the exchange rate that should be used to measure revenue (or expense) when the related consideration was received (or paid) in advance. It requires that the exchange rate to use is the one that applied when the non-monetary asset (or liability) arising from the receipt (or payment) of advance consideration was initially recognised.

IC Interpretation 22 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply these amendments:

- (i) Retrospectively according to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or
- (ii) Prospectively to all assets, expenses and income in the scope of the interpretation initially recognised on or after:
  - The beginning of the reporting period in which the entity first applies the interpretation; or
  - The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the interpretation.

**IC Interpretation 23 Uncertainty over Income Tax Treatments**

IC Interpretation 23 clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments (e.g. when recognising a current tax asset if tax laws require entities to make payments on a disputed tax treatment).

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**IC Interpretation 23 Uncertainty over Income Tax Treatments (Contd.)**

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the interpretation.

**Annual Improvements to MFRSs 2014-2016 Cycle**

**(i) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards***

The amendments removed a number of short-term exemptions because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed. The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

**(ii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures***

The amendments clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for its investments in joint ventures and associates at fair value or using the equity method. The method chosen for each investment must be made on initial recognition.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**Annual Improvements to MFRSs 2015-2017 Cycle**

**(i) Amendments to MFRS 3 *Business Combinations* and MFRS 11 *Joint Arrangements***

• **MFRS 3 *Business Combinations***

The amendments clarify that if an entity in a joint operation that is a business subsequently obtains control of the joint operation, it must remeasure its previously held interest at the acquisition-date fair value. Any difference between the acquisition-date fair value and previous carrying value is recognised as a gain or loss. The amendments therefore means that when the entity in a joint operation that is a business subsequently obtains control of the joint operation, it applies the same requirements already in MFRS 3 that apply to business combinations achieved in stages.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

• **MFRS 11 *Joint Arrangements***

The amendments clarify that if an entity that participates in (but does not have joint control over) a joint operation that is a business subsequently obtains joint control of the joint operation, it must not remeasure its previously held interest. The amendments therefore aligns with the accounting applied to transactions in which an associate becomes a joint venture and vice versa.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**Annual Improvements to MFRSs 2015-2017 Cycle (Contd.)**

**(ii) Amendments to MFRS 112 *Income Tax***

The amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

**(iii) Amendments to MFRS 123 *Borrowing Costs***

Paragraph 14 of MFRS 123 requires an entity to exclude borrowings made specifically for the purpose of obtaining/constructing a qualifying asset i.e. specific borrowings, when determining the funds that an entity borrows generally i.e. general borrowings and the funds that it uses for the purpose of obtaining/constructing a qualifying asset. The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. Therefore, from that date, the rate applied on those specific borrowings are included in the determination of the capitalisation rate of general borrowings accordingly.

The Group and the Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.5 Changes in regulatory requirements**

**Companies Act 2016**

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act, 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

The financial statements of the Group and the Company are prepared in accordance with the requirements of the New Act. Amongst the key changes introduced in the New Act which affected the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares of the Company will cease to have par or nominal value; and
- (c) the Company's share premium will become part of the share capital.

During the financial year, the Company has transferred RM401 million share premium and RM7.3 million capital redemption reserve to its share capital pursuant to the transition provisions set out in Section 618(2) of the New Act. Under Section 618(3) of the New Act, the Company has twenty four (24) months to utilise the amount of share premium that has been transferred to share capital.

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**3. PROPERTY, PLANT AND EQUIPMENT**

Group	Properties # RM'000	Furniture & fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
<b>2017</b>							
<b>Cost</b>							
At 1 January 2017	118,626	63,699	34,857	39,765	1,437	10,129	268,513
Additions	-	1,988	2,279	2,155	519	2,653	9,594
Disposals	-	(1,060)	(27)	-	-	-	(1,087)
Write-off	-	-	(65)	-	-	-	(65)
Reclassification	-	138	1,596	1,912	-	(3,646)	-
Transfer to intangible assets	-	-	-	-	-	(1,136)	(1,136)
Translation differences	-	(245)	(486)	-	(27)	(33)	(791)
At 31 December 2017	118,626	64,520	38,154	43,832	1,929	7,967	275,028
<b>Accumulated Depreciation and Impairment Losses</b>							
At 1 January 2017	40,485	53,984	18,457	25,204	1,251	-	139,381
Depreciation charge for the year	2,185	4,435	4,822	2,396	116	-	13,954
Disposals	-	(1,029)	(14)	-	-	-	(1,043)
Write-off	-	-	(65)	-	-	-	(65)
Translation differences	-	(217)	(286)	-	(27)	-	(530)
At 31 December 2017	42,670	57,173	22,914	27,600	1,340	-	151,697
<b>Analysed as:</b>							
- Accumulated depreciation	40,659	57,173	22,914	27,600	1,340	-	149,686
- Accumulated allowance for impairment	2,011	-	-	-	-	-	2,011
	42,670	57,173	22,914	27,600	1,340	-	151,697
<b>Net Book Value at 31 December 2017</b>	<b>75,956</b>	<b>7,347</b>	<b>15,240</b>	<b>16,232</b>	<b>589</b>	<b>7,967</b>	<b>123,331</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

Group	Properties # RM'000	Furniture & fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
<b>2016</b>							
<b>Cost</b>							
At 1 January 2016	122,375	61,041	31,295	36,076	1,526	8,129	260,442
Additions	-	2,264	3,296	1,051	-	5,224	11,835
Disposals	(3,749)	(351)	(225)	-	-	-	(4,325)
Reclassification	-	586	-	2,638	-	(3,224)	-
Translation differences	-	159	491	-	(89)	-	561
At 31 December 2016	118,626	63,699	34,857	39,765	1,437	10,129	268,513
<b>Accumulated Depreciation and Impairment Losses</b>							
At 1 January 2016	41,264	49,234	13,849	23,281	1,243	-	128,871
Depreciation charge for the year	2,184	4,969	4,462	1,923	96	-	13,634
Disposals	(2,963)	(338)	(135)	-	-	-	(3,436)
Translation differences	-	119	281	-	(88)	-	312
At 31 December 2016	40,485	53,984	18,457	25,204	1,251	-	139,381
<b>Analysed as:</b>							
- Accumulated depreciation	38,474	53,984	18,457	25,204	1,251	-	137,370
- Accumulated allowance for impairment	2,011	-	-	-	-	-	2,011
	40,485	53,984	18,457	25,204	1,251	-	139,381
<b>Net Book Value at 31 December 2016</b>	<b>78,141</b>	<b>9,715</b>	<b>16,400</b>	<b>14,561</b>	<b>186</b>	<b>10,129</b>	<b>129,132</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

**Company**

	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b><u>2017</u></b>		
<b>Cost</b>		
At 1 January 2017	-	-
Addition	465	465
At 31 December 2017	<u>465</u>	<u>465</u>
<b>Accumulated Depreciation and Impairment Losses</b>		
At 1 January 2017	-	-
Depreciation charge for the year	10	10
At 31 December 2017	<u>10</u>	<u>10</u>
<b>Analysed as:</b>		
- Accumulated depreciation	<u>10</u>	<u>10</u>
<b>Net Book Value at 31 December 2017</b>	<u>455</u>	<u>455</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

# Properties consist of:

<b>Group</b>	<b>Freehold land RM'000</b>	<b>Buildings on freehold land RM'000</b>	<b>Buildings on leasehold land RM'000</b>	<b>Total RM'000</b>
<b><u>2017</u></b>				
<b>Cost</b>				
At 1 January/31 December 2017	3,620	8,010	106,996	118,626
<b>Accumulated Depreciation and Impairment Losses</b>				
At 1 January 2017	746	4,886	34,853	40,485
Depreciation charge for the year	-	45	2,140	2,185
At 31 December 2017	746	4,931	36,993	42,670
<b>Analysed as:</b>				
- Accumulated depreciation	-	3,666	36,993	40,659
- Accumulated allowance for impairment losses	746	1,265	-	2,011
	746	4,931	36,993	42,670
<b>Net Book Value at 31 December 2017</b>				
	2,874	3,079	70,003	75,956
<b><u>2016</u></b>				
<b>Cost</b>				
At 1 January 2016	3,620	8,010	110,745	122,375
Translation differences	-	-	(3,749)	(3,749)
At 31 December 2016	3,620	8,010	106,996	118,626
<b>Accumulated Depreciation and Impairment Losses</b>				
At 1 January 2016	746	4,841	35,677	41,264
Depreciation charge for the year	-	45	2,139	2,184
Translation differences	-	-	(2,963)	(2,963)
At 31 December 2016	746	4,886	34,853	40,485
<b>Analysed as:</b>				
- Accumulated depreciation	-	3,621	34,853	38,474
- Accumulated allowance for impairment losses	746	1,265	-	2,011
	746	4,886	34,853	40,485
<b>Net Book Value at 31 December 2016</b>				
	2,874	3,124	72,143	78,141

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**4. INVESTMENT PROPERTIES**

<b>Group</b>	<b>Freehold land and buildings RM'000</b>	<b>Leasehold land and buildings RM'000</b>	<b>Investment property under construction ("IPUC") RM'000</b>	<b>Total RM'000</b>
<b><u>2017</u></b>				
At 1 January 2017	454,915	223,264	76,691	754,870
Additions	-	-	84,517	84,517
Disposal	-	(91,890)	-	(91,890)
Fair value adjustment	1,850	85	-	1,935
At 31 December 2017	<u>456,765</u>	<u>131,459</u>	<u>161,208</u>	<u>749,432</u>
<b><u>2016</u></b>				
At 1 January 2016	447,665	221,590	45,657	714,912
Addition	-	-	33,582	33,582
Fair value adjustment	7,250	1,674	-	8,924
Reclassification	-	-	(2,548)	(2,548)
At 31 December 2016	<u>454,915</u>	<u>223,264</u>	<u>76,691</u>	<u>754,870</u>

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

Investment properties except IPUC, are stated at fair value in accordance with the policies as described in Note 2.2(v) which had been determined based on valuations that reflect market conditions at the end of the reporting period.

The IPUC as at the reporting date is stated at cost less impairment as the fair value is not readily determinable.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**5. PREPAID LAND LEASE PAYMENTS**

<b>Group</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At beginning/end of year	24,018	24,018
<b>Accumulated amortisation and impairment losses</b>		
At beginning of year	5,053	4,750
Amortisation charge for the year	408	303
At end of year	5,461	5,053
<b>Analysed as:</b>		
- Accumulated amortisation	5,284	4,876
- Accumulated allowance for impairment losses	177	177
	5,461	5,053
<b>Net book value at end of the year</b>	<b>18,557</b>	<b>18,965</b>

**6. INTANGIBLE ASSETS**

<b>Group</b>	<b>Computer Software and Licences</b>	<b>Software Development Cost</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>2017</u></b>			
<b>Cost</b>			
At beginning of year	140,254	5,920	146,174
Additions	17,752	3,081	20,833
Disposals	(289)	-	(289)
Transfer from/(to) property, plant and equipment	4,456	(3,320)	1,136
Translation differences	(138)	-	(138)
At end of year	162,035	5,681	167,716
<b>Accumulated amortisation and impairment losses</b>			
At beginning of year	74,298	-	74,298
Amortisation charge for the year	9,734	-	9,734
Translation differences	(46)	-	(46)
At end of year	83,986	-	83,986
<b>Analysed as:</b>			
- Accumulated amortisation	83,986	-	83,986
<b>Net book value at end of the year</b>	<b>78,049</b>	<b>5,681</b>	<b>83,730</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**6. INTANGIBLE ASSETS (CONTD.)**

<b>Group</b>	<b>Computer Software and Licences RM'000</b>	<b>Software Development Cost RM'000</b>	<b>Total RM'000</b>
<b><u>2016</u></b>			
<b>Cost</b>			
At beginning of year	120,016	1,632	121,648
Additions	19,930	4,554	24,484
Write-off	(7)	-	(7)
Reclassification	266	(266)	-
Translation differences	49	-	49
At end of year	<u>140,254</u>	<u>5,920</u>	<u>146,174</u>
<b>Accumulated amortisation and impairment losses</b>			
At beginning of year	66,872	-	66,872
Amortisation charge for the year	7,405	-	7,405
Transfer to property, plant and equipment	-	-	-
Translation differences	21	-	21
At end of year	<u>74,298</u>	<u>-</u>	<u>74,298</u>
<b>Analysed as:</b>			
- Accumulated amortisation	<u>74,298</u>	<u>-</u>	<u>74,298</u>
<b>Net book value at end of the year</b>	<u>65,956</u>	<u>5,920</u>	<u>71,876</u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**7. INVESTMENT IN SUBSIDIARIES**

<b>Company</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Unquoted shares, at cost	2,606,470	1,636,470

Details of the subsidiaries of the Company are as follows:

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Effective interest (%)</b>		<b>Principal activities</b>
		<b>2017</b>	<b>2016</b>	
Etiqa General Insurance Berhad ("EGIB")* <i>(Formerly known as Etiqa Insurance Berhad)</i>	Malaysia	100	100	Underwriting of general insurance, life insurance and investment-linked businesses
Etiqa Life Insurance Berhad ("ELIB")*	Malaysia	100	-	Investment holding
Etiqa Family Takaful Berhad ("EFTB")* <i>(Formerly known as Etiqa Takaful Berhad)</i>	Malaysia	100	100	Management of general takaful, family takaful and investment-linked businesses
Etiqa General Takaful Berhad ("EGTB")*	Malaysia	100	-	Investment holding
Etiqa Insurance Pte. Ltd. ("EIPL")	Singapore	100	100	Underwriting of general insurance and life insurance businesses
Etiqa Life International (L) Ltd. ("ELIL")	Malaysia	100	100	Offshore investment-linked business
Etiqa Offshore Insurance (L) Ltd. ("EOIL")	Malaysia	100	100	Provision of bureau services in the Federal Territory of Labuan
Etiqa Overseas Investment Pte. Ltd. ("EOIP")	Malaysia	100	100	Investment holding
Double Care Sdn Bhd ("DCSB")	Malaysia	100	100	Under members' voluntary winding-up

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**7. INVESTMENT IN SUBSIDIARIES (CONTD.)**

- \* On 1 January 2018, the MAHB Group has successfully completed the Conversion of Composite Licences to Single Licences (“Licence Split”) and surrendered the composite licences in exchange for the four single licences, as disclosed in Note 50. Consequently, EIB was renamed to EGIB and will be principally engaged in the underwriting of General Insurance business; ETB was renamed to EFTB and will be principally engaged in the underwriting of Family Takaful business.

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

- (a) In line with the requirements of the Financial Services Act 2013, the Islamic Financial Services Act 2013 and the Labuan Financial Services and Securities Act 2010, the net assets of the Group's insurance and takaful funds amounting to RM21.17 billion (2016: RM19.74 billion) cannot be transferred or used by other entities/components within the Group;
- (b) The total capital available of the Company's insurance and takaful subsidiaries as prescribed under the RBC Frameworks for Insurers and Takaful Operators issued by BNM are RM5.11 billion (2016: RM5.37 billion) and RM3.91 billion (2016: RM4.95 billion) respectively;
- (c) The available solvency capital of the Company's insurance subsidiary in Singapore as prescribed under the Risk-Based Capital Framework regulation set by the Monetary Authority of Singapore (“MAS”) was RM512.65 million (2016: RM404.52 million) or SGD169.22 million (2016: SGD130.46 million). The Company's insurance subsidiary in Singapore has a CAR in excess of the current requirement as at 31 December 2017; and
- (d) The Company's insurance subsidiary in Labuan is required to maintain at all times a surplus of assets over liabilities, which is:
  - (i) equivalent to, or more than 3% of actuarial liabilities valuation; or
  - (ii) RM7,500,000, whichever is greater.

As at 31 December 2017, the margin of solvency of the Company's insurance subsidiary in Labuan was a surplus of RM8.87 million (2016: RM10.62 million) or USD2.19 million (2016: USD2.37 million) which complies with the requirements of Section 109 of the LFSSA 2010.

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**8. INVESTMENT IN ASSOCIATES**

**Group**

	<b>Pak-Kuwait Takaful</b>		<b>Asian Forum Inc.</b>		<b>Total</b>	
	<b>Company Ltd.</b>					
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	6,832	6,832	152	152	6,984	6,984
Post-acquisition reserve	1,262	1,262	1,620	1,620	2,882	2,882
Foreign exchange reserve	(502)	(502)	(534)	(534)	(1,036)	(1,036)
Allowance for impairment losses	(7,592)	(7,592)	-	-	(7,592)	(7,592)
	<b>-</b>	<b>-</b>	<b>1,238</b>	<b>1,238</b>	<b>1,238</b>	<b>1,238</b>
Represented by:						
Share of net assets, after impairment losses	<b>-</b>	<b>-</b>	<b>1,238</b>	<b>1,238</b>	<b>1,238</b>	<b>1,238</b>

The associates are as follows:

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Effective interests (%)</b>		<b>Principal activities</b>
		<b>2017</b>	<b>2016</b>	
Pak-Kuwait Takaful Company Ltd.	Pakistan	32.50	32.50	General takaful business
Asian Forum Inc.	Malaysia	33.33	33.33	Under members' voluntary winding-up

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**8. INVESTMENT IN ASSOCIATES (CONTD.)**

The summarised financial information of the associates are as follows:

	<b>Pak-Kuwait Takaful Company Ltd.</b>		<b>Asian Forum Inc.</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Assets and liabilities</b>				
Current assets	3,907	5,932	3,862	3,862
Non-current assets	1,946	2,921	-	-
Total assets	<u>5,853</u>	<u>8,853</u>	<u>3,862</u>	<u>3,862</u>
Current liabilities	3,988	5,659	-	-
Non-current liabilities	-	-	-	-
Total liabilities	<u>3,988</u>	<u>5,659</u>	<u>-</u>	<u>-</u>
<b>Results</b>				
Revenue	(305)	3,133	-	-
Loss for the year	<u>(985)</u>	<u>(19,165)</u>	<u>-</u>	<u>(17)</u>

The financial year end of both associates is 31 December. For the purposes of consolidation, the unaudited financial position of the associates as at 30 September 2017 was used when determining the Group's share of the net assets. In respect of the Group's share of the net profit of the associates, the unaudited 12 months period (from 1 October 2016 to 30 September 2017) had been used. Had the financial position as at 31 December 2017 and the results of the associates for the 12 months period from 1 January 2017 to 31 December 2017 been used for the purposes of equity accounting, management is of the opinion that the differences would not be expected to be significant.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**9. INVESTMENTS**

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Malaysian government papers	1,210,903	1,380,214
Singapore government securities	402,156	137,624
Debt securities	19,225,711	17,803,249
Equity securities	3,184,745	2,728,685
Unit and property trust funds *	146,963	225,763
Structured products (Note 10)	389,631	384,394
Negotiable certificates of deposit ("NCD")	145,462	144,885
Negotiable Islamic certificates of deposit ("NICD")	128,157	123,182
Deposits with financial institutions	2,318,944	2,791,778
	<u>27,152,672</u>	<u>25,719,774</u>

\* Included in investments in unit trust funds are investments amounting to RM152.4 million for financial year 2016 relating to unit and property trust funds managed by entities within the MBB Group.

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

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Available-for-sale ("AFS")	10,628,827	9,334,755
Fair value through profit and loss ("FVTPL"):		
- Designated upon initial recognition	12,825,920	12,531,159
- Held for trading ("HFT")	1,378,981	1,062,082
Loan and receivables ("LAR")	2,318,944	2,791,778
	<u>27,152,672</u>	<u>25,719,774</u>

The following investments mature after 12 months:

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
AFS	6,978,929	6,964,347
FVTPL:		
- Designated upon initial recognition	11,083,518	11,992,590
- HFT	353,323	354,312
	<u>18,415,770</u>	<u>19,311,249</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**9. INVESTMENTS (CONTD.)**

<b>Group</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) AFS</b>		
<b><u>At fair value</u></b>		
Malaysian government papers	737,057	896,190
Singapore government securities	37,695	34,776
Debt securities:		
Quoted outside Malaysia	226,476	170,029
Unquoted in Malaysia	7,290,153	5,935,794
Unquoted outside Malaysia	8,780	32,334
Equity securities		
Quoted in Malaysia	1,973,497	1,846,009
Quoted outside Malaysia	189,775	142,686
Unit and property trust funds:		
Quoted in Malaysia	58,963	196,712
Quoted outside Malaysia	34,461	9,020
NICD	19,719	18,954
<b><u>At cost</u></b>		
Equity securities:		
Unquoted in Malaysia		
Cost	55,032	55,032
Less: Allowance for impairment losses	(2,781)	(2,781)
	52,251	52,251
Total AFS financial assets	10,628,827	9,334,755

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**9. INVESTMENTS (CONTD.)**

Group	2017 RM'000	2016 RM'000
<b>(b) FVTPL</b>		
<b>(i) Designated upon initial recognition</b>		
<u>At fair value</u>		
Malaysian government papers	381,084	417,516
Singapore government securities	364,461	102,848
Debt securities:		
Quoted outside Malaysia	587,445	213,596
Unquoted in Malaysia	10,703,790	10,943,727
Unquoted outside Malaysia	148,645	221,601
Structured products (Note 10)	386,595	382,758
NCD	145,462	144,885
NICD	108,438	104,228
Total financial assets designated as FVTPL upon initial recognitions	12,825,920	12,531,159
<b>(ii) HFT</b>		
<u>At fair value</u>		
Malaysian government papers	92,762	66,508
Unquoted debt securities in Malaysia	260,422	286,168
Quoted equity securities in Malaysia	969,222	687,739
Unit and property trust funds:		
Quoted in Malaysia	1,740	1,674
Quoted outside Malaysia	51,799	18,357
Structured products (Note 10)	3,036	1,636
Total HFT financial assets	1,378,981	1,062,082
<b>(c) LAR</b>		
Fixed and call deposits with:		
Licensed financial institutions	2,140,463	2,389,289
Others	178,481	402,489
Total LAR financial assets	2,318,944	2,791,778

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

Included in LAR financial assets are assets amounting to RM38,000,000 (2016: RM38,000,000) which have been pledged to obtain banking facility and Islamic bank guarantee facilities from MBB and Maybank Islamic Berhad.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**9. INVESTMENTS (CONTD.)**

<b>Company</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Unit and property trust funds **	-	102,311
Deposits with financial institutions	72,148	86,630
	<u>72,148</u>	<u>188,941</u>

\*\* Relates to investments in unit and property trust funds managed by entities within the MBB Group.

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

<b>Company</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Available-for-sale ("AFS")	-	102,311
Loan and receivables ("LAR")	72,148	86,630
	<u>72,148</u>	<u>188,941</u>

**(a) AFS**

Quoted unit and property trust funds	<u>-</u>	<u>102,311</u>
--------------------------------------	----------	----------------

**(b) LAR**

Fixed and call deposits with Licensed financial institutions	65,265	86,630
Others	6,883	-
	<u>72,148</u>	<u>86,630</u>

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

**Fair Value of Financial Investments**

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 48.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**10. STRUCTURED PRODUCTS**

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

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

	<----- 2017 ----->		<----- 2016 ----->	
	<b>Principal/ Notional Amount RM'000</b>	<b>Net Carrying Amount RM'000</b>	<b>Principal/ Notional Amount RM'000</b>	<b>Net Carrying Amount RM'000</b>
<b>Financial assets at FVTPL</b>				
Structured deposits	400,000	386,595	400,000	382,758
Index-linked notes	<u>33,663</u>	<u>3,036</u>	<u>33,663</u>	<u>1,636</u>
Grand total	<u>433,663</u>	<u>389,631</u>	<u>433,663</u>	<u>384,394</u>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**11. FINANCING RECEIVABLES**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Policy/automatic premium loans	209,454	214,178
Corporate loans	3,331	3,331
Staff loans:		
Secured	46,846	49,117
Unsecured	1	70
Non-staff loans	9,723	5,651
Allowance for impairment losses (Note 45 (i))	(11,577)	(5,609)
	<u>257,778</u>	<u>266,738</u>
Receivable after 12 months	<u>42,814</u>	<u>43,127</u>
<b>Company</b>		
Staff loans:		
Secured	1,113	752
Unsecured	1	1
Allowance for impairment losses (Note 45 (i))	(1)	(1)
	<u>1,113</u>	<u>752</u>
Receivable after 12 months	<u>927</u>	<u>654</u>

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

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

	<b>2017</b>	<b>2016</b>
	<b>per annum</b>	<b>per annum</b>
Policy/automatic premium loans	8.00%	8.00%
Non-staff loans	6.48%	6.64%
Staff loans	<u>4.08%</u>	<u>3.13%</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**12. REINSURANCE/RETAKAFUL ASSETS**

<b>Group</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Reinsurers' share of:	2,743,040	3,409,812
Life insurance contract liabilities	40,472	28,860
General insurance contract liabilities	2,702,568	3,380,952
Retakaful operators' share of:	341,257	291,848
Family takaful certificate liabilities	79,085	49,675
General takaful certificate liabilities	262,172	242,173
	3,084,297	3,701,660
Allowance for impairment losses (Note 45 (i))	(1,924)	(529)
	<b>3,082,373</b>	<b>3,701,131</b>

**13. INSURANCE/TAKAFUL RECEIVABLES**

<b>Group</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Due premiums including agents/brokers and co-insurers/co-takaful balances	426,164	367,273
Due from reinsurers/retakaful operators and cedants	205,864	90,668
	632,028	457,941
Allowance for impairment losses (Note 45 (i))	(16,728)	(20,417)
	<b>615,300</b>	<b>437,524</b>

Amounts due from reinsurers and cedants that have been offset against amount due to the same are as follows:

	<b>Gross carrying amount RM'000</b>	<b>Gross amount recognised in offset in Statement of Financial Position RM'000</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
<b>2017</b>			
Due premiums including agents/brokers and co-insurers/co-takaful balances	451,592	(25,428)	426,164
Due from reinsurers/retakaful operators and cedants	269,539	(63,675)	205,864
	<b>721,131</b>	<b>(89,103)</b>	<b>632,028</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**13. INSURANCE/TAKAFUL RECEIVABLES (CONTD.)**

<b>2016</b>	<b>Gross carrying amount RM'000</b>	<b>Gross amount recognised in offset in Statement of Financial Position RM'000</b>	<b>Net amounts in the Statement of Financial Position RM'000</b>
Due premiums including agents/brokers and co-insurers/co-takaful balances	405,162	(37,889)	367,273
Due from reinsurers/retakaful operators and cedants	134,296	(43,628)	90,668
	<u>539,458</u>	<u>(81,517)</u>	<u>457,941</u>

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

**14. OTHER RECEIVABLES**

<b>Group</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Management fees	1,186	148
Collective allowance for impairment losses (Note 45 (i))	(68)	-
	<u>1,118</u>	<u>148</u>
Sundry receivables, deposits and prepayments	48,703	27,707
Individual allowance for impairment losses (Note 45 (i))	(3,116)	(1,899)
	<u>45,587</u>	<u>25,808</u>
Income and profits due and accrued	138,756	134,537
Individual allowance for impairment losses (Note 45 (i))	(106)	(209)
	<u>138,650</u>	<u>134,328</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**14. OTHER RECEIVABLES (CONTD.)**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group (Contd.)</b>		
Investment profit receivable	144,410	134,864
Receivables arising from disposal of investment property property (Note 49)	178,251	-
Amount due from:*		
- Ultimate holding company	1,215	612
- Holding company	1	-
- Other related companies within the MBB Group	152	342
Amount due from stockbrokers	293,869	2,256
Share of net assets in Malaysia Motor Insurance Pool ("MMIP)	56,905	61,669
	<u>674,803</u>	<u>199,743</u>
<b>TOTAL RECEIVABLES</b>	<u><b>860,158</b></u>	<u><b>360,027</b></u>
<b>Company</b>		
Sundry receivables, deposits and prepayments	-	10
Income and profits due and accrued	506	314
Dividend receivable	-	920
Amount due from subsidiaries/associates within the MAHB Group*	9,587	10,330
	<u>10,093</u>	<u>11,574</u>
Allowance for impairment losses (Note 45 (i))	(7,161)	(7,161)
<b>TOTAL RECEIVABLES</b>	<u><b>2,932</b></u>	<u><b>4,413</b></u>

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**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.

	<-----2017----->			<-----2016----->		
	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
<b>Hedging derivatives:</b>						
Cross currency swap	96,097	-	25,791	138,251	-	56,601
Foreign currency swap	590,527	9,897	15	214,450	56	7,603
Forward foreign exchange contract	89,227	2,836	-	-	-	-
Total derivatives		<u>12,733</u>	<u>25,806</u>		<u>56</u>	<u>64,204</u>

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 48.

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**15. DERIVATIVES (CONTD.)**

Hedging derivatives:

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

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

Non-hedging derivatives:

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**16. DEFERRED TAXATION**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
At beginning of year	(609,831)	(507,420)
Recognised in:		
Profit or loss (Note 37)	(25,390)	(97,393)
- Taxation borne by policyholders/participants	(19,505)	(30,118)
- Tax expense of the Group	(5,885)	(67,275)
Other comprehensive income (Note 37)	9,281	(3,622)
Insurance/takaful contract liabilities	3,835	(367)
Exchange differences	1,538	(1,029)
At end of year	<u>(620,567)</u>	<u>(609,831)</u>

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

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	9,789	8,958
Deferred tax liabilities	(630,356)	(618,789)
	<u>(620,567)</u>	<u>(609,831)</u>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Company</b>		
Deferred tax liabilities at the beginning of the year	(153)	(189)
Recognised in other comprehensive income (Note 37)	153	36
Deferred tax liabilities at the end of the year	<u>-</u>	<u>(153)</u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**16. DEFERRED TAXATION (CONTD.)**

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

**Deferred Tax Assets**

<b>Group</b>	<b>Amortisation of premiums RM'000</b>	<b>Impairment losses on receivables RM'000</b>	<b>Impairment losses on investments RM'000</b>	<b>General insurance liabilities RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b><u>2017</u></b>						
At 1 January 2017	2,292	1,322	5,304	38	2	8,958
Recognised in:						
Profit or loss	(140)	385	1,297	(711)	-	831
- Taxation borne by policyholders/participants	(327)	399	741	(14)	-	799
- Tax expense of the Group	187	(14)	556	(697)	-	32
At 31 December 2017	<u>2,152</u>	<u>1,707</u>	<u>6,601</u>	<u>(673)</u>	<u>2</u>	<u>9,789</u>
<b><u>2016</u></b>						
At 1 January 2016	1,129	1,774	18,775	310	12	22,000
Reclassification	-	-	556	-	-	556
Recognised in:						
Profit or loss	1,163	(452)	(14,027)	(272)	(9)	(13,597)
- Taxation borne by policyholders/participants	1,952	3,182	(5,956)	142	-	(680)
- Tax expense of the Group	(789)	(3,634)	(8,071)	(414)	(9)	(12,917)
Exchange differences	-	-	-	-	(1)	(1)
At 31 December 2016	<u>2,292</u>	<u>1,322</u>	<u>5,304</u>	<u>38</u>	<u>2</u>	<u>8,958</u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**16. DEFERRED TAXATION (CONTD.)**

**Deferred Tax Liabilities**

<b>Group</b>	<b>Net accretion of discounts on investments RM'000</b>	<b>Accelerated capital allowances RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>AFS reserves RM'000</b>	<b>Life insurance contract liabilities RM'000</b>	<b>Non-Participating Fund Unallocated Surplus RM'000</b>	<b>Unit-linked RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b><u>2017</u></b>									
At 1 January 2017	1,873	(6,887)	(35,758)	1,714	(37,307)	(536,236)	(1,964)	(4,224)	(618,789)
Recognised in:									
Profit or loss	(159)	(625)	22,950	-	(23,837)	(22,293)	(4,847)	2,590	(26,221)
- Taxation borne by policyholders/participants	87	(282)	6,131	-	(23,837)	-	(4,847)	2,444	(20,304)
- Tax expense of the Group	(246)	(343)	16,819	-	-	(22,293)	-	146	(5,917)
Other comprehensive income	-	-	-	9,281	-	-	-	-	9,281
Insurance/takaful contract liabilities	-	-	-	3,835	-	-	-	-	3,835
Exchange differences	-	24	-	15	1,499	-	-	-	1,538
At 31 December 2017	1,714	(7,488)	(12,808)	14,845	(59,645)	(558,529)	(6,811)	(1,634)	(630,356)

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**16. DEFERRED TAXATION (CONTD.)**

**Deferred Tax Liabilities (Contd.)**

<b>Group</b>	<b>Net accretion of discounts on investments RM'000</b>	<b>Accelerated capital allowances RM'000</b>	<b>Fair value adjustment RM'000</b>	<b>AFS reserves RM'000</b>	<b>Life insurance contract liabilities RM'000</b>	<b>Non-Participating Fund Unallocated Surplus RM'000</b>	<b>Unit-linked RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>2016</b>									
At 1 January 2016	2,789	(5,522)	(25,847)	5,705	(14,805)	(484,158)	(4,948)	(2,634)	(529,420)
Reclassification	(556)	-	-	-	-	-	-	-	(556)
Recognised in:									
Profit or loss	(360)	(1,364)	(9,911)	(2)	(21,475)	(52,078)	2,984	(1,590)	(83,796)
- Taxation borne by policyholders/participants	(596)	(186)	(8,809)	-	(21,475)	-	2,984	(1,356)	(29,438)
- Tax expense of the Group	236	(1,178)	(1,102)	(2)	-	(52,078)	-	(234)	(54,358)
Other comprehensive income	-	-	-	(3,622)	-	-	-	-	(3,622)
Insurance/takaful contract liabilities	-	-	-	(367)	-	-	-	-	(367)
Exchange differences	-	(1)	-	-	(1,027)	-	-	-	(1,028)
At 31 December 2016	1,873	(6,887)	(35,758)	1,714	(37,307)	(536,236)	(1,964)	(4,224)	(618,789)

**Company**

**2017**

At 1 January 2017

Recognised in other comprehensive income

At 31 December 2017

<b>AFS reserves RM '000</b>
(153)
153
-

**2016**

At 1 January 2016

Recognised in other comprehensive income

At 31 December 2016

(189)
36
(153)

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**17. SHARE CAPITAL**

	Number of shares		Amount	
	2017 Units '000	2016 Units '000	2017 RM'000	2016 RM'000
<b>Issued and fully paid</b>				
Ordinary shares:				
At beginning of year	252,005	252,005	252,005	252,005
Transfer from:-				
- share premium*	-	-	401,561	-
- capital redemption reserve*	-	-	7,300	-
At end of year	<u>252,005</u>	<u>252,005</u>	<u>660,866</u>	<u>252,005</u>

\* Pursuant to the transition provisions set out in Section 618(2) of the Companies Act 2016.

**18. RESERVES**

Group	2017 RM'000	2016 RM'000
Share premium	-	401,561
AFS reserves	(30,656)	(1,961)
<b>Other reserves:</b>		
Revaluation reserve	1,073	11,648
Currency translation reserve	51,096	61,378
Capital redemption reserve	-	7,300
	<u>52,169</u>	<u>80,326</u>
<b>Retained profits:</b>		
Distributable	3,077,685	2,631,833
Non-distributable non-par surplus	1,769,633	1,719,813
	<u>4,847,318</u>	<u>4,351,646</u>
Total reserves	<u>4,868,831</u>	<u>4,831,572</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**18. RESERVES (CONTD.)**

<b>Company</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
<b>Share premium</b>	-	401,561
<b>AFS reserves</b>	-	484
<b>Other reserve:</b>		
Capital redemption reserve	-	7,300
<b>Distributable:</b>		
Retained profits	2,019,619	1,170,504
<b>Total reserves</b>	<b>2,019,619</b>	<b>1,579,849</b>

The share premium account relates to amounts paid by shareholders for shares in excess of their par value. However, pursuant to the transition provisions set out in Section 618(2) of the Companies Act 2016, the Group and the Company are required to transfer the amount standing in the share premium to its share capital as share no longer has par value.

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

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

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

The capital redemption reserve of the Group arose from the redemption of the RCPS of which such shares are redeemed out of retained profits in accordance with Section 61(5) of the Companies Act, 1965 in Malaysia. However, pursuant to the transition provisions set out in Section 618(2) of the Companies Act 2016, Companies are required to transfer the amount standing in the capital redemption reserve to its share capital.

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

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

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**19. INSURANCE/TAKAFUL CONTRACT LIABILITIES**

Group	<u>2017</u>			<u>2016</u>		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance/family takaful (Note A)	19,130,891	(119,557)	19,011,334	17,547,047	(78,535)	17,468,512
General insurance/takaful (Note B)	5,096,330	(2,964,740)	2,131,590	5,874,241	(3,623,125)	2,251,116
	<u>24,227,221</u>	<u>(3,084,297)</u>	<u>21,142,924</u>	<u>23,421,288</u>	<u>(3,701,660)</u>	<u>19,719,628</u>

**(A) Life Insurance/Family Takaful**

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

**(i) Life insurance/family takaful contract liabilities**

	<u>2017</u>			<u>2016</u>		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities	225,021	(12,837)	212,184	216,303	(13,801)	202,502
Actuarial liabilities	15,125,107	(106,720)	15,018,387	12,546,078	(64,734)	12,481,344
DPF's unallocated surplus	2,355,649	-	2,355,649	3,552,592	-	3,552,592
DPF's AFS reserves	(29,784)	-	(29,784)	55,985	-	55,985
Net asset value ("NAV") attributable to unitholders	1,454,898	-	1,454,898	1,176,089	-	1,176,089
	<u>19,130,891</u>	<u>(119,557)</u>	<u>19,011,334</u>	<u>17,547,047</u>	<u>(78,535)</u>	<u>17,468,512</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**19. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)**

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

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

	<b>Claim liabilities</b>	<b>Actuarial liabilities</b>	<b>DPF's Unallocated Surplus</b>	<b>DPF's AFS reserve</b>	<b>NAV attributable to unitholders</b>	<b>Gross Total liabilities</b>	<b>Reinsurance assets</b>	<b>Net Total liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>2017</u></b>								
At 1 January 2017	216,303	12,546,078	3,552,592	55,985	1,176,089	17,547,047	(78,535)	17,468,512
Reclassification	-	75,582	(75,582)	-	-	-	-	-
Net earned premiums	-	651,676	2,437,524	-	469,934	3,559,134	(63,031)	3,496,103
Other revenue	-	-	906,073	(109,363)	120,943	917,653	-	917,653
Experience/benefit variation	(445)	-	(12,004)	-	(9)	(12,458)	27,801	15,343
Net benefits and claims	9,163	-	(1,307,011)	-	(301,972)	(1,599,820)	36,191	(1,563,629)
Other expenses	-	-	(399,086)	-	(538)	(399,624)	-	(399,624)
Change in reserves :								
- Discounting	-	75,361	(27,011)	-	-	48,350	(2,495)	45,855
- Assumptions	-	93,515	(111,430)	-	-	(17,915)	552	(17,363)
- Policy Movements	-	448,235	(1,204,382)	-	-	(756,147)	(38,064)	(794,211)
Exchange differences	-	6,805	(341)	(88)	(245)	6,131	(1,976)	4,155
Changes in AFS reserves	-	-	-	17,334	-	17,334	-	17,334
Taxation	-	-	(18,094)	6,348	(9,304)	(21,050)	-	(21,050)
Transfer to shareholders' funds	-	-	(129,643)	-	-	(129,643)	-	(129,643)
Hibah paid to participants	-	-	(1,222,096)	-	-	(1,222,096)	-	(1,222,096)
NAV attributable to unitholders	-	1,227,855	(33,860)	-	-	1,193,995	-	1,193,995
At 31 December 2017	225,021	15,125,107	2,355,649	(29,784)	1,454,898	19,130,891	(119,557)	19,011,334

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**19. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)**

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

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

	<b>Claim liabilities</b>	<b>Actuarial liabilities</b>	<b>DPF's Unallocated Surplus</b>	<b>DPF's AFS reserve</b>	<b>NAV attributable to unitholders</b>	<b>Gross Total liabilities</b>	<b>Reinsurance assets</b>	<b>Net Total liabilities</b>
<b>2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2016	184,793	12,063,902	3,154,856	93,881	1,733,328	17,230,760	(59,210)	17,171,550
Net earned premiums	-	327,235	1,962,738	-	259,135	2,549,108	(52,658)	2,496,450
Other revenue	-	-	764,539	-	18,602	783,141	-	783,141
Experience/benefit variation	2,805	-	(475,591)	-	(824,465)	(1,297,251)	28,064	(1,269,187)
Net benefits and claims	31,309	-	(878,534)	-	(8,947)	(856,172)	23,322	(832,850)
Other expenses	-	-	(289,874)	-	(360)	(290,234)	-	(290,234)
Change in reserves:								
- Discounting	-	(3,999)	(5,184)	-	-	(9,183)	238	(8,945)
- Assumptions	-	(6,129)	(5,029)	-	-	(11,158)	(126)	(11,284)
- Policy Movements	-	151,316	(552,236)	-	-	(400,920)	(18,077)	(418,997)
Exchange differences	(2,604)	13,753	34	36	60	11,279	(88)	11,191
Changes in AFS reserves	-	-	-	(40,009)	-	(40,009)	-	(40,009)
Taxation	-	-	(10,432)	2,077	(1,264)	(9,619)	-	(9,619)
Transfer to shareholders' funds	-	-	(92,789)	-	-	(92,789)	-	(92,789)
Hibah paid to participants	-	-	(19,906)	-	-	(19,906)	-	(19,906)
At 31 December 2016	216,303	12,546,078	3,552,592	55,985	1,176,089	17,547,047	(78,535)	17,468,512

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**19. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)**

**(B) General insurance/Takaful**

	<u>2017</u>		<u>2016</u>			
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities (i)	3,808,752	(2,649,946)	1,158,806	4,598,159	(3,317,013)	1,281,146
Premiums/contribution liabilities (ii)	1,104,029	(314,794)	789,235	1,120,761	(306,112)	814,649
Unallocated surplus of general takaful fund	196,302	-	196,302	175,393	-	175,393
AFS reserves	(12,753)	-	(12,753)	(20,072)	-	(20,072)
	<b>5,096,330</b>	<b>(2,964,740)</b>	<b>2,131,590</b>	<b>5,874,241</b>	<b>(3,623,125)</b>	<b>2,251,116</b>
<b>(i) Claims liabilities</b>						
<b>At 1 January</b>	4,598,159	(3,317,013)	1,281,146	4,437,167	(3,106,477)	1,330,690
Claims incurred in the current accident year	1,451,156	(483,689)	967,467	1,371,658	(370,895)	1,000,763
Movements in claims incurred in prior accident years	(464,009)	364,434	(99,575)	594,077	(636,309)	(42,232)
Claims paid during the year	(1,641,278)	668,108	(973,170)	(1,582,546)	683,451	(899,095)
Movements in Unallocated Loss Adjustment						
Expenses ("ULAE")	(10,305)	-	(10,305)	(675)	-	(675)
Movements in PRAD	(121,128)	117,169	(3,959)	(225,495)	114,609	(110,886)
Exchange differences	(3,843)	1,045	(2,798)	3,973	(1,392)	2,581
<b>At 31 December</b>	<b>3,808,752</b>	<b>(2,649,946)</b>	<b>1,158,806</b>	<b>4,598,159</b>	<b>(3,317,013)</b>	<b>1,281,146</b>
<b>(ii) Premium/contribution liabilities</b>						
<b>At 1 January</b>	1,120,761	(306,112)	814,649	1,273,380	(401,104)	872,276
Premiums/contributions written in the year	2,499,069	(885,897)	1,613,172	2,635,397	(1,013,174)	1,622,223
Premiums/contributions earned during the year	(2,513,007)	876,083	(1,636,924)	(2,790,380)	1,109,102	(1,681,278)
Exchange differences	(2,794)	1,132	(1,662)	2,364	(936)	1,428
<b>At 31 December</b>	<b>1,104,029</b>	<b>(314,794)</b>	<b>789,235</b>	<b>1,120,761</b>	<b>(306,112)</b>	<b>814,649</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**20. SUBORDINATED OBLIGATIONS**

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Tier 2 Capital Subordinated Bond/Sukuk:		
- RM500 million from EIB (a)	500,000	500,000
- RM300 million from ETB (b)	300,000	300,000
	<u>800,000</u>	<u>800,000</u>
Interest/profit payable on subordinated obligations	<u>11,308</u>	<u>11,309</u>

(a) Tier 2 Capital Subordinated Bond	
Issued date	: 5 July 2013
Tenure	: 10 years from issue date on 10 non-callable 5 basis (Due in 2023)
Interest payable	: 4.13% per annum payable semi-annually in arrears in January and July each year.
Optional Redemption	: EIB may, subject to the prior consent of Bank Negara Malaysia ("BNM"), redeem the bond, in whole but not in part, on 5 July 2018 (first call date) and on each semi-annual interest payment date thereafter at the principal amount together with accrued but unpaid coupon.
(b) Tier 2 Capital Subordinated Sukuk	
Issued date	: 30 May 2014
Tenure	: 10 years from issue date on 10 non-callable 5 basis (Due in 2024)
Profit payable	: 4.52% per annum payable semi-annually in arrears in May and November each year.
Optional Redemption	: ETB may, subject to the prior consent of BNM, redeem the Sukuk, in whole or in part, on 30 May 2019 (first call date) and each semi-annual profit payment date thereafter at the principal amount together with expected return less periodic distribution made.

The fair value of the subordinated obligations is RM801,114,000 (2016: RM798,558,000), and is determined by reference to indicative ask-prices obtained from Bondweb provided by BPAM. The fair value of subordinated obligations is categorised under Level 2 of the fair value hierarchy as the valuations were mainly based on market observable inputs.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**21. EXPENSE LIABILITIES**

<b>Group</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
UWF of General Takaful fund	137,916	135,813
UER of Family Takaful fund	379,794	390,775
Expense overrun of Life fund	-	390
	<u>517,710</u>	<u>526,978</u>

	<b>UWF of General Takaful fund RM'000</b>	<b>UER of Family Takaful fund RM'000</b>	<b>Expense overrun of Life fund RM'000</b>	<b>Total RM'000</b>
<b>2017</b>				
At beginning of the year	135,813	390,775	390	526,978
Wakalah fee received during the year	370,071	-	-	370,071
Wakalah fee earned during the year	(367,968)	-	-	(367,968)
Movement in UWF (Note 35)	2,103	-	-	2,103
Movement in UER (Note 35)	-	(10,981)	-	(10,981)
Movement in expense overrun of Life fund (Note 35)	-	-	(390)	(390)
At end of the year	<u>137,916</u>	<u>379,794</u>	<u>-</u>	<u>517,710</u>

<b>2016</b>				
At beginning of the year	116,199	354,332	-	470,531
Wakalah fee received during the year	351,836	-	-	351,836
Wakalah fee earned during the year	(332,222)	-	-	(332,222)
Movement in UWF (Note 35)	19,614	-	-	19,614
Movement in UER (Note 35)	-	36,443	-	36,443
Movement in expense overrun of Life fund (Note 35)	-	-	390	390
At end of the year	<u>135,813</u>	<u>390,775</u>	<u>390</u>	<u>526,978</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**22. INSURANCE/TAKAFUL PAYABLES**

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Due to agents and intermediaries	139,714	130,637
Due to reinsurers and cedants	278,815	230,861
Due to retakaful operators	80,490	53,243
	<u>499,019</u>	<u>414,741</u>

Amounts due to reinsurers and cedants that have been offset against amount due from the same are as follows:

	<b>Gross</b> <b>amount</b> <b>offset in the</b> <b>Statement</b> <b>of Financial</b> <b>Position</b> <b>RM'000</b>	<b>Net</b> <b>amounts</b> <b>in the</b> <b>Statement</b> <b>of Financial</b> <b>Position</b> <b>RM'000</b>
<b>2017</b>		
Due to agents and intermediaries	153,220	139,714
Due to reinsurers and cedants	289,393	278,815
Due to retakaful operators	116,210	80,490
	<u>558,823</u>	<u>499,019</u>
<b>2016</b>		
Due to agents and intermediaries	152,938	130,637
Due to reinsurers and cedants	247,561	230,861
Due to retakaful operators	81,693	53,243
	<u>482,192</u>	<u>414,741</u>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**23. OTHER PAYABLES**

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Premium/contribution deposits	171,384	130,287
Dividend payable to policyholders	80,316	79,626
Amount due to:*		
- Ultimate holding company	10,378	11,975
- Holding company	28	-
Amount due to stockbrokers	59,924	61,408
Mudharabah payable	185,957	202,547
Unclaimed monies	102,302	124,977
Provisions for expenses	25,621	68,514
Sundry payables and accrued liabilities	520,319	307,252
	<u>1,156,229</u>	<u>986,586</u>
 <b>Company</b>		
Amount due to:*		
- Ultimate holding company	272	298
Provisions for expenses	6,475	1,782
Sundry payables and accrued liabilities	336	545
	<u>7,083</u>	<u>2,625</u>

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**24. OPERATING REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross premiums/contributions	5,952,220	5,326,521	-	-
Investment income (Note 27)	1,214,131	1,114,731	1,106,451	210,050
	<u>7,166,351</u>	<u>6,441,252</u>	<u>1,106,451</u>	<u>210,050</u>

**25. NET EARNED PREMIUMS/CONTRIBUTIONS**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
<b>(a) Gross earned premiums/contributions</b>		
Life insurance contracts	2,152,609	1,506,899
General insurance contracts	1,236,244	1,453,868
Family takaful contracts	1,345,132	1,184,225
General takaful contracts	1,218,235	1,181,529
Gross premiums/contributions	<u>5,952,220</u>	<u>5,326,521</u>
Change in premium/contribution liabilities	13,938	154,983
Gross earned premiums/contributions	<u>5,966,158</u>	<u>5,481,504</u>
<b>(b) Earned premiums/contributions ceded to reinsurers/retakaful operators</b>		
Life insurance contracts	(24,010)	(21,703)
General insurance contracts	(699,930)	(909,432)
Family takaful contracts	(63,031)	(52,658)
General takaful contracts	(141,534)	(103,743)
Premium/contribution ceded to reinsurers/retakaful operators	<u>(928,505)</u>	<u>(1,087,536)</u>
Change in premium/contribution liabilities	9,814	(95,928)
Earned premium/contribution ceded to reinsurers/retakaful operators	<u>(918,691)</u>	<u>(1,183,464)</u>
<b>Net earned premiums/contributions</b>	<u>5,047,467</u>	<u>4,298,040</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**26. FEE AND COMMISSION INCOME**

<b>Group</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Profit commission	7,103	2,337
Reinsurance/retakaful commission income	76,935	88,269
Others	3,473	582
Fee and commission income related to insurance/takaful contracts	<u>87,511</u>	<u>91,188</u>

**27. INVESTMENT INCOME**

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>AFS financial assets</b>				
Interest/profit income	384,647	313,464	-	-
Dividend/distribution income				
(i) Equity securities:				
- quoted in Malaysia	46,671	40,380	-	6
- quoted outside Malaysia	7,518	2,700	-	-
- unquoted in Malaysia	778	817	-	-
- unit and property trusts	6,257	9,211	2,697	3,848
(ii) From subsidiaries	-	-	1,100,000	201,415
<b>Financial assets at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Interest/profit income	623,748	585,748	-	-
<b>(ii) HFT</b>				
Interest/profit income	16,751	16,093	-	-
Dividend/distribution income				
- equity securities quoted in Malaysia	20,994	17,945	-	-
- unit and property trusts	107	227	-	-
<b>LAR</b>				
Interest/profit income	89,784	115,151	3,629	4,647
Interest/profit income from financing receivables and other loans	18,721	19,318	24	33
Rental income	18,583	22,449	-	-
Net amortisation of premiums	(17,152)	(24,201)	-	-
Other investment income	4,771	280	101	101
Management fee income	3,495	3,358	-	-
Investment related expenses	(11,542)	(8,209)	-	-
	<u>1,214,131</u>	<u>1,114,731</u>	<u>1,106,451</u>	<u>210,050</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**28. REALISED GAINS**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Realised (loss)/gain on disposal of property, plant and equipment	(216)	27,425	-	-
Realised gain on disposal of investment properties	75,819	-	-	-
Realised gain on liquidation of subsidiaries	-	-	-	93,182
<b>Realised gains/(losses) on disposal of:</b>				
<b>AFS financial assets</b>				
Malaysian government papers	1,724	11,305	-	-
Equity securities	380,245	23,702	-	45
Debt securities	9,396	32,496	-	-
Unit and property trusts	11,646	3,935	533	-
	<u>403,011</u>	<u>71,438</u>	<u>533</u>	<u>45</u>
<b>Financial assets at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Malaysian government papers	3,931	9,142	-	-
Debt securities	41,633	31,751	-	-
Other investments	8,742	-	-	-
Derivative liabilities, net	-	(271)	-	-
	<u>54,306</u>	<u>40,622</u>	<u>-</u>	<u>-</u>
<b>(ii) HFT</b>				
Malaysian government papers	78	6,375	-	-
Equity securities	34,596	(1,734)	-	-
Debt securities	(381)	5,974	-	-
Unit and property trusts	(240)	919	-	-
Credit linked notes	-	22,889	-	-
Structured products	-	10,313	-	-
Derivative assets/(liabilities), net	11,424	(14,081)	-	-
	<u>45,477</u>	<u>30,655</u>	<u>-</u>	<u>-</u>
<b>TOTAL REALISED GAINS</b>	<u>578,397</u>	<u>170,140</u>	<u>533</u>	<u>93,227</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**29. FAIR VALUE GAINS/(LOSSES)**

Group	2017 RM'000	2016 RM'000
<b>Fair value gains/(losses):</b>		
Investment properties	1,935	8,924
Financial assets at FVTPL:		
- designated upon initial recognition	(16,201)	97,582
- HFT	99,645	(35,326)
Total fair value losses on financial assets at FVTPL	83,444	62,256
<b>TOTAL FAIR VALUE GAINS</b>	<b>85,379</b>	<b>71,180</b>

**30. OTHER OPERATING (EXPENSES)/INCOME, NET**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b><u>Other income</u></b>				
Gain on foreign exchange:				
- realised	4,138	39	-	-
- unrealised	1,274	19,189	-	-
Processing income/(expense)	42	(29)	-	-
Recovery of bad debts	27	-	-	-
Reversal of impairment losses on:				
- receivables	3,217	19,678	-	-
- others	-	5,434	-	-
Surrender charges	-	28	-	-
Sundry income	20,482	29,922	116	57
	<u>29,180</u>	<u>74,261</u>	<u>116</u>	<u>57</u>
<b><u>Other expenses</u></b>				
Bad debts written off	(1,327)	(1,922)	-	-
Impairment losses on:				
- receivables	(7,391)	(914)	-	-
- insurance/takaful receivables	678	-	-	-
- investments	(56,512)	(48,036)	-	-
- other impairments	(1,399)	-	-	-
Losses on foreign exchange:				
- realised	(18,776)	(6,132)	-	(32)
- unrealised	(72,568)	(488)	-	-
PPE written off	(1)	-	-	-
Intangible assets written off	-	(7)	-	-
Sundry expenditure	(16,488)	(18,664)	-	-
	<u>(173,784)</u>	<u>(76,163)</u>	<u>-</u>	<u>(32)</u>
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME, NET</b>	<b><u>(144,604)</u></b>	<b><u>(1,902)</u></b>	<b><u>116</u></b>	<b><u>25</u></b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**31. NET BENEFITS AND CLAIMS**

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
<b>(a) Gross Benefits and Claims Paid</b>		
Life insurance	1,248,403	1,656,046
General insurance	864,554	972,136
Family takaful	763,280	734,578
General takaful	768,080	610,410
	<u>3,644,317</u>	<u>3,973,170</u>
<b>(b) Claims Ceded to Reinsurers/Retakaful</b>		
Life insurance	(12,848)	(17,130)
General insurance	(564,548)	(653,927)
Family takaful	(35,228)	(24,595)
General takaful	(94,916)	(29,524)
	<u>(707,540)</u>	<u>(725,176)</u>
<b>(c) Gross Change in Contract/Certificate Liabilities</b>		
Life insurance	1,029,473	(179,040)
General insurance	(740,005)	104,742
Family takaful	698,957	536,475
General takaful	66,749	189,514
	<u>1,055,174</u>	<u>651,691</u>
<b>(d) Change in Contract/Certificate Liabilities Ceded to Reinsurers/Retakaful</b>		
Life insurance	(11,808)	(5,690)
General insurance	667,603	(179,209)
Family takaful	(29,410)	(13,546)
General takaful	(1,582)	(29,935)
	<u>624,803</u>	<u>(228,380)</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**32. MANAGEMENT EXPENSES**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Employee benefits expense (a)	387,375	365,860	16,901	10,777
Directors' remuneration (Note 33)	4,763	4,263	877	727
Shariah Committee's remuneration (Note 34)	274	222	-	-
Auditors' remuneration:				
- statutory audits	1,642	1,900	70	65
- interim audits	353	-	-	-
- regulatory related services	70	70	-	-
- other services	65	136	14	10
Amortisation of intangible assets	9,734	7,405	-	-
Amortisation of prepaid land lease payments	408	303	-	-
Auto assist service	7,642	7,357	-	-
Assured medical fees	4,617	3,307	-	-
Bank charges	23,700	24,146	7	5
Depreciation of property, plant and equipment	13,954	13,634	10	-
Fund management fees	2,585	401	-	-
Other management fees	3,437	2,800	102	-
Professional fees	7,257	5,739	3,685	-
Rental of offices/premises	11,839	10,155	102	106
Office facilities expenses	(1,321)	9,275	-	-
Electronic data processing expenses	18,364	19,224	-	-
Outsourcing services	2,769	3,048	88	135
Maybank shared service cost	17,934	23,840	172	314
Postage and stamp duties	5,576	5,433	1	-
Printing and stationery	5,727	7,556	59	81
Promotional and marketing cost	66,208	57,069	-	-
Training expenses	5,948	3,472	127	65
Utilities, assessment and maintenance	11,316	9,921	286	318
Entertainment	1,239	1,432	7	6
Travelling expenses	4,507	4,299	105	166
Legal fees	1,627	1,354	1	-
Other expenses	90,709	74,911	1,865	294
	<u>710,318</u>	<u>668,532</u>	<u>24,479</u>	<u>13,069</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**32. MANAGEMENT EXPENSES (CONTD.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>(a) Employee Benefits Expense:</b>				
Wages, salaries and bonuses	295,473	270,144	12,811	7,788
EPF, CPF and TAP	43,004	40,108	1,566	833
SOCSSO	1,599	1,416	23	18
Share based compensation	1,974	2,703	728	682
Other benefits	45,325	51,489	1,773	1,456
	<u>387,375</u>	<u>365,860</u>	<u>16,901</u>	<u>10,777</u>

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

	Company	
	2017 RM'000	2016 RM'000
Salary	1,200	840
Directors fees	70	97
Bonus	840	385
EPF and pension scheme	340	209
Share based compensation	687	165
Other emoluments	115	130
	<u>3,252</u>	<u>1,826</u>

**33. DIRECTORS' FEES AND REMUNERATION**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive directors:				
Fees	417	320	117	116
Other emoluments	28	27	4	6
	<u>445</u>	<u>347</u>	<u>121</u>	<u>122</u>
Non-executive directors:				
Fees	3,873	3,521	666	556
Other emoluments	445	395	90	49
	<u>4,318</u>	<u>3,916</u>	<u>756</u>	<u>605</u>
	<u>4,763</u>	<u>4,263</u>	<u>877</u>	<u>727</u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**33. DIRECTORS' FEES AND REMUNERATION (CONTD.)**

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

	<----- Company ----->			----- Subsidiaries -----			Group Grand Total RM'000
	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	
<b>2017</b>							
Executive directors:							
Datuk Abdul Farid Alias	78	3	81	19	3	22	103
Dato Amirul Feisal	39	1	40	9	1	10	50
Puan Nora Abdul Manaf	-	-	-	116	8	124	124
Encik Kamaludin bin Ahmad	-	-	-	156	12	168	168
Non-executive directors:							
Mr. Koh Heng Kong	54	17	71	257	36	293	364
Dato' Mohamed Rafique Merican	-	-	-	141	11	152	152
Prof Dr Abdul Rahim Abd Rahman	-	-	-	29	2	31	31
Mr. Loh Lee Soon	74	25	99	257	31	288	387
Datuk R Karunakaran	130	5	135	316	18	334	469
Mr. Bart K.A De Smet	116	4	120	-	-	-	120
Mr. Gary Lee Crist	166	24	190	-	-	-	190
Y Bhg Dato' Mohd Salleh Hj Harun	-	-	-	233	12	245	245
Y Bhg Dato' Johan Ariffin	39	2	41	184	20	204	245
Mr. Philippe Pol Arthur Latour	25	7	32	257	19	276	308
Y Bhg Tan Sri Dato' Megat Zaharuddin	39	2	41	-	-	-	41
Encik Zainal Abidin Jamal	-	-	-	145	22	167	167
Encik Kamaludin bin Ahmad	-	-	-	23	1	24	24
Mr. Frank Van Kempen	-	-	-	516	67	583	583
Dr. Ismail Mohd @ Abu Hassan	-	-	-	84	6	90	90
Encik Sulaiman Salleh	-	-	-	35	2	37	37
Datuk Lim Hong Tat	-	-	-	187	25	212	212
Mr Hj Sallim Bin Abdul Kadir	-	-	-	233	37	270	270
Dato' Majib Mohamad	10	-	10	38	3	41	51
Wong Pakshong Kat Jeong Colin Steward	13	4	17	272	43	315	332
	<u>666</u>	<u>90</u>	<u>756</u>	<u>3,207</u>	<u>355</u>	<u>3,562</u>	<u>4,318</u>
	<u>783</u>	<u>94</u>	<u>877</u>	<u>3,507</u>	<u>379</u>	<u>3,886</u>	<u>4,763</u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**33. DIRECTORS' FEES AND REMUNERATION (CONTD.)**

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

2016	<----- Company ----->			----- Subsidiaries -----			Group Grand Total RM'000
	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	
Executive directors:							
Datuk Abdul Farid bin Alias	116	6	122	29	4	33	155
Encik Kamaludin bin Ahmad	-	-	-	175	17	192	192
	<u>116</u>	<u>6</u>	<u>122</u>	<u>204</u>	<u>21</u>	<u>225</u>	<u>347</u>
Non-executive directors:							
Mr. Koh Heng Kong	-	-	-	257	34	291	291
Mr. Loh Lee Soon	-	-	-	257	29	286	286
Datuk R Karunakaran	97	5	102	283	19	302	404
Mr. Bart K.A De Smet	116	6	122	-	-	-	122
Mr. Gary Lee Crist	166	26	192	116	8	124	316
Y Bhg Dato' Mohd Salleh Hj Harun	26	6	32	254	17	271	303
Y Bhg Dato' Johan Ariffin	19	1	20	164	16	180	200
Mr. Philippe Pol Arthur Latour	-	-	-	129	10	139	139
Y Bhg Tan Sri Dato' Megat Zaharuddin	132	5	137	-	-	-	137
Encik Zainal Abidin Jamal	-	-	-	164	21	185	185
Mr. Frank Van Kempen	-	-	-	495	70	565	565
Dr. Ismail Mohd @ Abu Hassan	-	-	-	116	10	126	126
Encik Sulaiman Salleh	-	-	-	35	2	37	37
Datuk Lim Hong Tat	-	-	-	162	24	186	186
Mr Hj Sallim Bin Abdul Kadir	-	-	-	225	39	264	264
Y Bhg Dato' Mohamed Rafique Merican	-	-	-	83	8	91	91
Wong Pakshong Kat Jeong Colin Steward	-	-	-	225	39	264	264
	<u>556</u>	<u>49</u>	<u>605</u>	<u>2,965</u>	<u>346</u>	<u>3,311</u>	<u>3,916</u>
	<u>672</u>	<u>55</u>	<u>727</u>	<u>3,169</u>	<u>367</u>	<u>3,536</u>	<u>4,263</u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**34. SHARIAH COMMITTEE'S REMUNERATION**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Fees	212	168
Other emoluments	62	54
	<u>274</u>	<u>222</u>

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

	<b>2017</b>			<b>2016</b>		
	<b>Fees</b>	<b>Other</b>	<b>Total</b>	<b>Fees</b>	<b>Other</b>	<b>Total</b>
	<b>RM'000</b>	<b>emoluments</b>	<b>RM'000</b>	<b>RM'000</b>	<b>emoluments</b>	<b>RM'000</b>
		<b>RM'000</b>			<b>RM'000</b>	
Shariah committee:						
Dr. Ahcene Lahsasna	42	11	53	34	11	45
Dr. Ismail Bin Mohd @ Abu Hassan	38	11	49	33	10	43
Dr. Mohammad Deen Bin Mohd Napiah	39	12	51	33	11	44
Dr. Sarip Bin Abdul	39	12	51	34	11	45
Dr. Rusni Hassan	27	8	35	-	-	-
Prof. Abdul Rahim Abdul Rahman	27	8	35	-	-	-
Ahmad Jailani Bin Abdul Ghani	-	-	-	34	11	45
	<u>212</u>	<u>62</u>	<u>274</u>	<u>168</u>	<u>54</u>	<u>222</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**35. CHANGE IN EXPENSE LIABILITIES**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Increase in UWF of general takaful fund (Note 21)	2,103	19,614
(Decrease)/Increase in UER of family takaful fund (Note 21)	(10,981)	36,443
(Decrease)/Increase in expense overrun of Life fund (Note 21)	(390)	390
	<u>(9,268)</u>	<u>56,447</u>

**36. FEE AND COMMISSION EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Costs incurred for the acquisition of insurance/takaful contracts expensed in the current financial year	407,916	468,781
Others	83,044	-
	<u>490,960</u>	<u>468,781</u>

**37. INCOME TAX EXPENSE**

**Major components of income tax expense**

The major components of income tax expense for the year ended 31 December 2017 and 31 December 2016 are:

**Income Statement**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Income tax:</u>				
Current financial year				
- Malaysia	234,965	166,416	928	1,160
- Foreign	750	1,297	-	-
Over provision of taxation in prior financial years	(6,980)	(33,751)	-	-
	<u>228,735</u>	<u>133,962</u>	<u>928</u>	<u>1,160</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**37. INCOME TAX EXPENSE**

**Major components of income tax expense (Contd.)**

The major components of income tax expense for the year ended 31 December 2017 and 31 December 2016 are:

**Income Statement (Contd.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Deferred taxation:</u>				
Relating to origination and reversal of temporary differences (Note 16)	5,885	67,275	-	-
	<u>234,620</u>	<u>201,237</u>	<u>928</u>	<u>1,160</u>

**Statement of Comprehensive**

**Income:**

Deferred income tax related to other comprehensive income:

- Fair value changes on AFS investments (Note 16)

	<u>9,281</u>	<u>(3,622)</u>	<u>153</u>	<u>36</u>
--	--------------	----------------	------------	-----------

**Reconciliation between tax expense and accounting profit**

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	<u>973,174</u>	<u>810,267</u>	<u>1,099,780</u>	<u>300,381</u>
Taxation at Malaysian statutory tax rate of 24%	491,143	261,204	263,947	72,091
Effects of tax in different jurisdiction	4,433	2,835	-	-
Business outside Malaysia taxed at 5%	-	(138)	-	-
Tax exemption	(31)	-	-	-
Income not subject to tax	(322,175)	(151,650)	(264,775)	(71,639)
Expenses not deductible for tax purposes	81,240	115,279	1,756	708

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**37. INCOME TAX EXPENSE (CONTD.)**

**Reconciliation between tax expense and accounting profit (Contd.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Utilisation of previously unrecognised tax losses	(1,180)	(50)	-	-
Tax relief on actuarial surplus transferred to shareholder's fund	(13,176)	-	-	-
Effects of changes in foreign tax rate	(1,522)	-	-	-
Onshore tax in interest at 25%	115	100	-	-
Tax on non-recyclable income	2,630	-	-	-
(Over)/under provision of taxation in prior financial years	(6,980)	(33,751)	-	-
Effect of zakat deduction	(733)	(1,641)	-	-
Deferred tax not recognised in prior financial years	934	-	-	-
Qardhul Hassan deductible for tax purposes	-	8,804	-	-
Others	(78)	245	-	-
Tax expense for the financial year	<u>234,620</u>	<u>201,237</u>	<u>928</u>	<u>1,160</u>

**Tax borne by policyholders/participants**

Group	2017 RM'000	2016 RM'000
<u>Income tax:</u>		
Current financial year		
- Malaysia	49,989	29,478
Over provision of taxation in prior financial years	(202)	(15,643)
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences (Note 16)	19,505	30,118
	<u>69,292</u>	<u>43,953</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**37. INCOME TAX EXPENSE (CONTD.)**

**Taxation of shareholders and general funds**

The income tax for shareholders fund and general fund in relation to the Malaysia and Singaporean operations are calculated at the statutory tax rate of 24% (2016: 24%) and 17% (2016: 17%) of the estimated assessable profit respectively for the financial year.

**Taxation of life insurance and family takaful business**

The income tax for the life and family takaful funds are calculated based on the statutory rate of 8% (2016: 8%) of the estimated assessable investment income net of allowable deductions for the financial year for the Malaysian operations.

**38. DIVIDENDS**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group and Company</b>		
<b>Recognised during the financial year:</b>		
<u>Final dividend for the year ended 31 December 2015:</u>		
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	-	250,241
<u>Final dividend for the year ended 31 December 2016:</u>		
- 59.50 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	149,943	-
<u>Interim dividend for the year ending 31 December 2017:</u>		
- 39.60 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	99,794	-
	<u>249,737</u>	<u>250,241</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**39. OPERATING LEASE COMMITMENTS**

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

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

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Within 1 year	8,146	8,450
After 1 year but not more than 5 years	3,965	9,558
	<u>12,111</u>	<u>18,008</u>

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

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

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

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Not later than 1 year	18,981	27,856
Later than 1 year but not later than 5 years	9,462	15,163
	<u>28,443</u>	<u>43,019</u>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**40. OTHER COMMITMENTS AND CONTINGENCIES**

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Approved and contracted for:		
Property, plant and equipment	2,741	4,967
Investment property - IPUC	106,062	207,107
Intangible assets	11,321	11,028
	<u>120,124</u>	<u>223,102</u>
Approved and not contracted for:		
Property, plant and equipment	-	-
Investment property - IPUC	11,519	12,477
Intangible assets	4,546	3,600
	<u>16,065</u>	<u>16,077</u>

**41. SHARE BASED COMPENSATION**

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

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

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

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**41. SHARE BASED COMPENSATION (CONTD.)**

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

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

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

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

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

- **ESOS**

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

- **RSU**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**41. SHARE BASED COMPENSATION (CONTD.)**

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

- On 23 June 2011, MBB granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met the average performance target ("ESOS First Grant"). The first tranche of ESOS under the ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under the ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012. The third tranche of ESOS under the ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013. The fourth tranche of ESOS under the ESOS First Grant amounting to 74,253,400 options have been vested and exercisable as at 30 April 2014. Subsequently, MBB also granted 600 options for appeal cases for fourth tranche of ESOS First Grant in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS First Grant amounting to 69,854,500 options have been vested and exercisable as at 30 April 2015.

On 10 August 2015, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS First Grant amounting to 34,951,500 options effective 30 September 2015. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the second tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be allotted under the sixth tranche was prorated based on a six months period.

In the previous financial year ended 31 December 2016, the Bank vested 5,600 options and 3,000 options for appeal cases for the fifth and sixth tranches of ESOS First Grant.

- 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 have been vested and 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. The third tranche of ESOS under ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014. The fourth tranche of ESOS under ESOS Second Grant amounting to 10,808,600 options have been vested and exercisable as at 30 April 2015. MBB also granted options for appeal cases for the first tranche and second tranche of ESOS Second Grant amounting to 1,300 and 3,100 options respectively in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS Second Grant amounting to 9,424,800 options have been vested and exercisable as at 3 May 2016.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**41. SHARE BASED COMPENSATION (CONTD.)**

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

- On 25 April 2016, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS Second Grant amounting to 4,687,000 options effective 30 September 2016. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the first tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be allotted under the sixth tranche was prorated based on a six months period.

On 29 April 2017, the first tranche of ESOS under ESOS Second Grant amounting to 484,700 options have expired.

- On 30 April 2013, MBB granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Group ("ESOS Third Grant"). The first tranche of ESOS under ESOS Third Grant amounting to 9,199,800 options have been vested and exercisable as at 21 May 2013. The second tranche of ESOS under ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014. The third tranche of ESOS under ESOS Third Grant amounting to 9,197,600 options have been vested and exercisable as at 30 April 2015. The fourth tranche of ESOS under ESOS Third Grant amounting to 7,806,200 options have been vested and granted as at 3 May 2016. The fifth tranche of ESOS under ESOS Third Grant amounting to 7,382,200 options have been vested and granted as at 2 May 2017.

During the financial year ended 31 December 2017, MBB vested 55,000 options for appeal cases for fourth tranche of ESOS Third Grant.

- On 30 April 2014, MBB granted five (5) tranches of ESOS amounting to 54,027,800 options to confirmed new recruits in the Maybank Group ("ESOS Fourth Grant"). The first tranche of ESOS under ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014. The second tranche of ESOS under ESOS Fourth Grant amounting to 10,591,900 options have been vested and exercisable as at 30 April 2015. MBB also granted 100,000 options relates to change of staff grade and 100 options for appeal cases for the first tranche of ESOS Fourth Grant in the previous financial year ended 31 December 2015. The third tranche of ESOS under ESOS Fourth Grant amounting to 9,018,700 options have been vested and exercisable as at 3 May 2016. The fourth tranche of ESOS under ESOS Fourth Grant amounting to 8,531,100 options have been vested and exercisable as at 2 May 2017, 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.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**41. SHARE BASED COMPENSATION (CONTD.)**

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

- On 30 April 2015, MBB granted four (4) tranches of ESOS amounting to 48,170,100 options to confirmed new recruits in the Maybank Group ("ESOS Fifth Grant"). The first tranche of ESOS under ESOS Fifth Grant amounting to 11,439,300 options have been vested and exercisable as at 21 May 2015. The second tranche of ESOS under ESOS Fifth Grant amounting to 11,250,300 options have been vested and exercisable as at 3 May 2016. The third tranche of ESOS under ESOS Fifth Grant amounting to 10,475,000 options have been vested and exercisable as at 2 May 2017, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

During the financial year ended 31 December 2017, MBB vested 10,000 options for appeal cases for second tranche of ESOS Fifth Grant.

- On 30 September 2015, MBB granted three (3) tranches of ESOS amounting to 992,400 options to confirmed new recruits in the Maybank Group ("ESOS Special Grant"). The first tranche of ESOS under ESOS Special Grant amounting to 309,400 options have been vested and exercisable as at 21 October 2015. The second tranche of ESOS under ESOS Special Grant amounting to 215,500 options have been vested and exercisable as at 3 May 2016. The third tranche of ESOS under ESOS Special Grant amounting to 108,200 options have been vested and exercisable as at 2 May 2017.
- The new ordinary shares in MBB allotted upon any exercise of options under the scheme will upon allotment, rank *pari passu* in all aspects with the existing ordinary shares in MBB, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of MBB relating to transfer, transmission and otherwise.
- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.
- In the implementation of ESS, MBB has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from MBB.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**41. 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 Grant will be vested on a two (2) to three (3) years cliff vesting schedule.

**42. SIGNIFICANT RELATED PARTY DISCLOSURES**

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

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

The Group and the Company have related party relationships with its shareholders, subsidiaries, associates, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholders.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Income/(expenses):</u></b>				
Ultimate holding company:				
Gross premium/contribution income	32,385	35,792	-	-
Commission and fee expenses	(166,519)	(174,181)	-	-
Claims paid	(137,732)	(11,082)	-	-
IT services	-	732	-	-
Interest/profit income	16,237	18,974	199	505
Rental income	3,092	3,198	-	-
Other expenses	(3,936)	(8,089)	(48)	(59)
Net hedging income	<u>335</u>	<u>736</u>	<u>-</u>	<u>-</u>
Fellow subsidiaries/associates within the MAHB Group:				
Gross dividend income	-	-	1,099,999	201,415
Reimbursement of shared services	-	-	18,249	10,148
Rental expense	<u>-</u>	<u>-</u>	<u>(102)</u>	<u>(106)</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Income/(expenses):</u></b>				
Other related companies within the MBB Group:				
Gross premium/contribution income	4,085	5,292	-	-
Commission and fee expenses	(368)	(760)	-	-
Dividend income	4,435	5,860	2,697	3,854
Other investment income	129	125	102	102
Maybank shared services				
- Information Technology	(17,648)	(23,526)	-	-
Interest/profit income	26,013	35,238	903	1,796
Rental income, net	4,271	5,033	-	-
Other expenses	(729)	(823)	-	-
Claims paid	(144)	(303)	-	-
	<b><u>(144)</u></b>	<b><u>(303)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Shareholders of MAHB:				
Dividend paid	(249,737)	(250,241)	(249,737)	(250,241)
Reimbursement of expenses	(2,171)	(2,216)	-	-
Other income/(expenses)	589	(3,082)	-	-
Professional fee	183	-	-	-
	<b><u>183</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Companies related to a company with significant influence over MBB Group:				
Claims paid	(5,367)	(7,485)	-	-
Gross premium/contribution income	12,853	16,760	-	-
Interest on subordinated obligations	(14,560)	(14,567)	-	-
	<b><u>(14,560)</u></b>	<b><u>(14,567)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Ultimate holding company:				
Bank balances	256,546	206,828	3,461	2,805
Fixed deposits	502,709	397,331	-	-
Structured deposits	-	50,155	-	-
Debt securities	9,999	35,421	-	-
Derivative liabilities, net	(23,239)	(56,603)	-	-
Income and profits due and accrued	869	1,144	-	-
Insurance/takaful receivables	207	-	-	-
Insurance/takaful payables	(2)	(256)	-	-
Claim liabilities	(58,445)	(11,587)	-	-
Outstanding premium/contributions	8,806	9,868	-	-
Other receivables	4,362	2,801	-	-
Other payables	(10,824)	(19,375)	(272)	(298)
Fellow subsidiaries/associates within the MAHB Group:				
Other receivables	-	-	2,421	3,169
Other related companies within the MBB Group:				
Bank balances	1,040	1,196	-	-
Fixed and call deposits	242,235	302,834	-	-
Islamic investment account	536,177	805,155	15,923	21,807
Debt securities	-	59,811	-	-
Income and profits due and accrued	1,991	4,284	45	45
Insurance/takaful receivables	311	293	-	-
Outstanding premiums/contributions	42	14	-	-
Other receivables	3,253	3,944	-	-
Other payables	(72)	(2,626)	-	-
Insurance/takaful payables	-	(4)	-	-
Claims liabilities	(49)	-	-	-

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Companies related to a company with significant influence over MBB Group:				
Insurance/takaful receivables	8	72	-	-
Outstanding premiums/ contributions	-	40	-	-
Claims liabilities	(2,026)	(22)	-	-
Insurance/takaful payables	(922)	(744)	-	-
Subordinated obligations	(350,680)	(350,681)	-	-
Other payables	(94)	-	-	-
	<u>(94)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Short-term employee benefits</b>				
- Fees	3,580	4,052	70	883
- Salaries, allowances and bonuses	3,353	2,508	2,144	1,315
- Contribution to EPF and pension scheme	498	370	340	209
- Share option granted under ESOS	687	165	687	165
- Other emoluments	223	871	11	135
	<u>8,341</u>	<u>7,966</u>	<u>3,252</u>	<u>2,707</u>

- (iv) The movements in the number of ESOS granted and vested to key management personnel are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
At 1 January	4,255	3,349	2,242	1,942
Vested and exercisable	960	530	700	500
Exercised	(1,135)	-	(375)	-
Expired	-	(270)	-	(200)
Resignation of key management personnel	(1,526)	(185)	(1,526)	-
Appointment of key management personnel	435	831	250	-
At 31 December	<u>2,989</u>	<u>4,255</u>	<u>1,291</u>	<u>2,242</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**43. INTEGRATED RISK MANAGEMENT FRAMEWORK**

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

Six (6) key building blocks have been set which serve as the foundation for risk management and executed in accordance with the standards and risk appetite set by the Board of Directors ("Board").



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

**Principles**

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**43. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Appetite and Strategy**

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

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

**Governance and Risk Oversight**

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**43. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Governance and Risk Oversight (Contd.)**



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

**Board**

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

The following management level committees are established to support the Board in terms of risk governance on the business activities.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**43. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**SMC**

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

**BGM**

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

**PDC**

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

**ALCO**

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

**MRC**

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

**IAC**

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

**CCC**

CCC ensures compliance with all the regulations and guidelines pertaining to collection and outstanding contribution, monitors and controls outstanding collections efficiently, minimises bad and doubtful debts by implementing preventive measures, and initiates legal proceedings for recovery of bad and doubtful debts when all other methods fail.

**ITSC**

ITSC supports the senior management in supervising IT risk matters, alignment of IT initiatives and business strategies, as well as long term strategic IT plans.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**43. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Culture**

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

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

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

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

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

**Risk Management Practices and Processes**

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

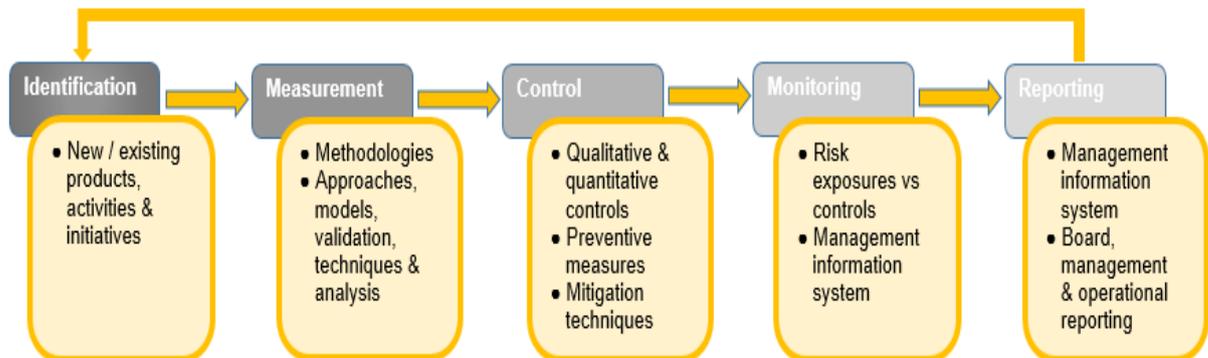
To enable an effective execution of risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**43. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Management Practices and Processes (Contd.)**

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



**Resource and System Infrastructure**

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

**Resources**

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

The personnel within risk management department should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the Group's business activities.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**43. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**System Infrastructure**

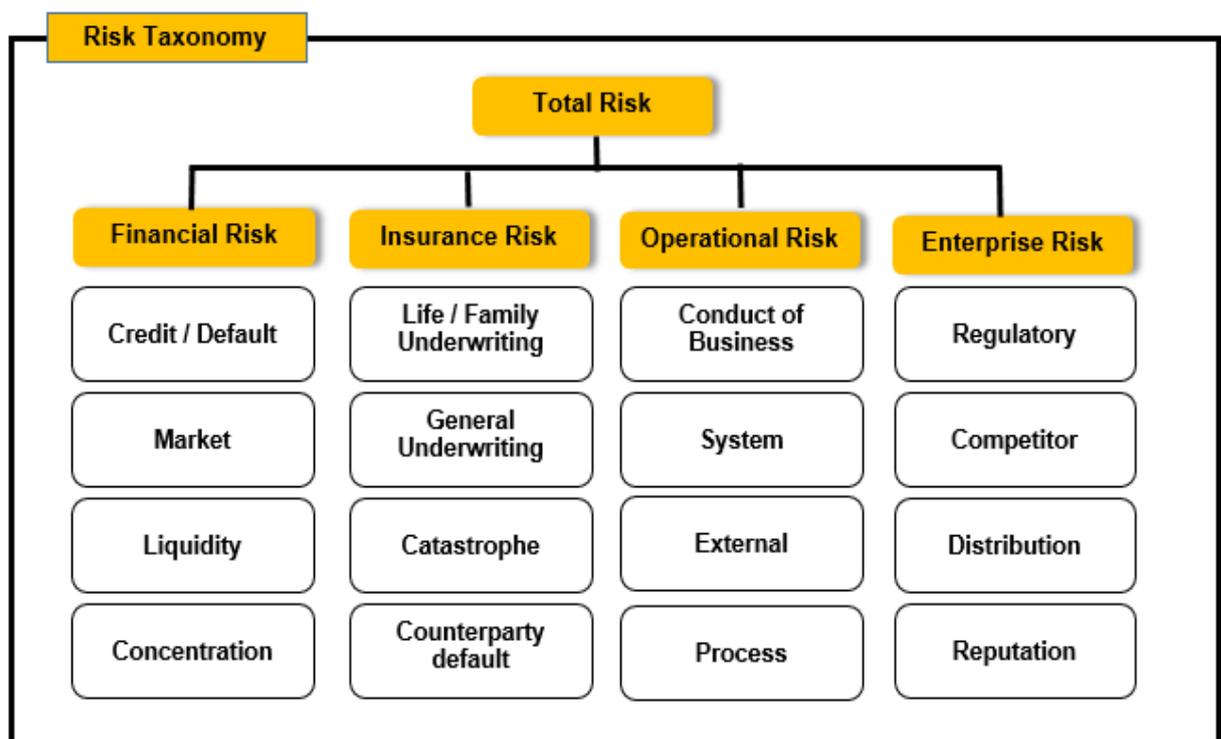
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

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

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

**Risk Taxonomy**

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



**33361-W**

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

#### **44. INSURANCE/TAKAFUL RISK**

##### **Group**

Insurance/takaful risk relates to the inherent risk associated in the underwriting activities of Life, Family and General business, both for Takaful and Insurance. Such risk includes pricing, reserving, product, underwriting, catastrophe and reinsurance/retakaful counterparty default. Analyses are performed to ensure that insurance/takaful risks are within the company's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Reinsurance/retakaful offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance/retakaful companies are the counterparty risk of reinsurers and retakaful operators failing to honor their obligations. The Group monitors the ability of all current and prospective reinsurers/retakaful operators to meet their obligations under exceptional but plausible adverse events on a monthly basis.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(A) Life Insurance**

**Group**

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

	2017			2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b><u>Malaysia</u></b>						
Whole life	779,367	-	779,367	687,925	-	687,925
Endowment	3,390,775	-	3,390,775	3,334,396	-	3,334,396
Mortgage	836,819	(29,570)	807,249	839,769	(21,322)	818,447
Term assurance	311,976	-	311,976	319,062	-	319,062
Annuity	690,140	-	690,140	600,087	-	600,087
Others	137,914	-	137,914	123,962	-	123,962
	<u>6,146,991</u>	<u>(29,570)</u>	<u>6,117,421</u>	<u>5,905,201</u>	<u>(21,322)</u>	<u>5,883,879</u>
<b><u>Singapore</u></b>						
Whole life	93,648	(7,440)	86,208	24,099	(3,045)	21,054
Endowment	1,050,743	(9)	1,050,734	458,057	(6)	458,051
Mortgage	3	-	3	3	-	3
Term assurance	115	(33)	82	96	(34)	62
Others	288	(27)	261	169	(8)	161
	<u>1,144,797</u>	<u>(7,509)</u>	<u>1,137,288</u>	<u>482,424</u>	<u>(3,093)</u>	<u>479,331</u>
<b>Total</b>	<u>7,291,788</u>	<u>(37,079)</u>	<u>7,254,709</u>	<u>6,387,625</u>	<u>(24,415)</u>	<u>6,363,210</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(A) Life Insurance (Contd.)**

**Group**

**(ii) Key Assumptions**

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

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

(a) Discount rate

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(A) Life Insurance (Contd.)**

**Group**

**(ii) Key Assumptions (Contd.)**

(b) Mortality and morbidity rates

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

The Group bases mortality and morbidity on local established industry tables which reflect historical experiences and reinsurance premium rates, adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experiences.

(c) Lapse and surrender rates

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

(d) Expenses

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

**(iii) Sensitivity analyses**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(A) Life Insurance (Contd.)**

**Group**

**(iii) Sensitivity analyses (Contd.)**

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

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit before tax RM'000	Impact on Equity RM'000
<b><u>Life Insurance - Malaysia</u></b>					
<b>2017</b>					
Discount rate *	-1%	512,903	510,755	(195,041)	(172,777)
Mortality and morbidity rates	+/- 10% (adverse)	131,600	125,718	(98,898)	(75,162)
Lapse and surrender rates	+/- 10% (adverse)	25,354	25,462	(641)	(487)
Expenses	+10%	35,701	35,701	(27,093)	(20,591)
<b>2016</b>					
Discount rate *	-1%	497,132	495,901	(191,972)	(161,508)
Mortality and morbidity rates	+/- 10% (adverse)	130,431	127,875	(102,524)	(77,918)
Lapse and surrender rates	+/- 10% (adverse)	26,242	26,266	(3,415)	(2,595)
Expenses	+10%	32,223	32,223	(22,626)	(17,195)

\* excludes impact on fixed income assets.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(A) Life Insurance (Contd.)**

**Group**

**(iii) Sensitivity analyses (Contd.)**

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit before tax RM'000	Impact on Equity RM'000
<b><u>Life Insurance - Singapore</u></b>					
<b>2017</b>					
Discount rate *	-1%	218,476	216,499	(216,499)	(216,499)
Mortality and morbidity rates	+/- 10% (adverse)	3,505	2,743	(2,743)	(2,743)
Lapse and surrender rates	+/- 10% (adverse)	12,194	11,936	(11,936)	(11,936)
Expenses	+10%	7,471	7,446	(7,446)	(7,446)
<b>2016</b>					
Discount rate *	-1%	153,169	152,385	(152,385)	(152,385)
Mortality and morbidity rates	+/- 10% (adverse)	1,786	1,552	(1,552)	(1,552)
Lapse and surrender rates	+/- 10% (adverse)	6,068	5,993	(5,993)	(5,993)
Expenses	+10%	6,830	6,803	(6,803)	(6,803)

\* excludes impact on fixed income assets.

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(B) Family Takaful Fund**

**Group**

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

	<b>Gross</b>	<b>2017</b>	<b>Net</b>	<b>Gross</b>	<b>2016</b>	<b>Net</b>
	<b>RM'000</b>	<b>Retakaful</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Retakaful</b>	<b>RM'000</b>
Endowment	1,648,101	-	1,648,101	1,569,985	-	1,569,985
Mortgage	3,529,376	(69,640)	3,459,736	3,282,313	(40,319)	3,241,994
Term assurance	23,588	-	23,588	18,763	-	18,763
Annuity	733,998	-	733,998	756,932	-	756,932
Others	594,816	-	594,816	530,460	-	530,460
<b>Total</b>	<b>6,529,879</b>	<b>(69,640)</b>	<b>6,460,239</b>	<b>6,158,453</b>	<b>(40,319)</b>	<b>6,118,134</b>

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

**(ii) Key Assumptions**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(B) Family Takaful Fund (Contd.)**

**Group**

**(ii) Key Assumptions (Contd.)**

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

(a) Discount rate

The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration.

(b) Mortality and morbidity rates

Mortality and morbidity rates represents the expected claims experience of the takaful operator. The takaful operator determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the takaful operator's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

(c) Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business e.g. the expectation that participants will renew their certificates etc. These rates are based on the takaful operator's historical experience of lapses and surrenders.

(d) Expenses

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

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(B) Family Takaful Fund (Contd.)**

**Group**

**(iii) Sensitivity analysis**

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

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

	<b>% change in Assumptions</b>	<b>Impact on Gross Liabilities RM'000</b>	<b>Impact on Net Liabilities** RM'000</b>	<b>Impact on Profit before Tax RM'000</b>	<b>Impact on Equity RM'000</b>
<b>2017</b>					
Discount rate *	-1%	310,266	303,619	(36,594)	(36,594)
Mortality and morbidity rates	+/- 10% (adverse)	303,996	269,876	(45,730)	(45,730)
Lapse and surrender rates	+/- 10% (adverse)	12,098	13,520	(3,145)	(3,145)
Expenses	+10%	14,896	14,896	(4,104)	(4,104)

\* excludes impact on profit rate assets.

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

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(B) Family Takaful Fund (Contd.)**

**Group**

**(iii) Sensitivity analysis (Contd.)**

	<b>% change in Assumptions</b>	<b>Impact on Gross Liabilities RM'000</b>	<b>Impact on Net Liabilities** RM'000</b>	<b>Impact on Profit before Tax RM'000</b>	<b>Impact on Equity RM'000</b>
<b>2016</b>					
Discount rate *	-1%	287,014	283,281	(44,522)	(44,522)
Mortality and morbidity rates	+/- 10% (adverse)	277,277	255,462	(46,545)	(46,545)
Lapse and surrender rates	+/- 10% (adverse)	15,113	15,920	(2,807)	(2,807)
Expenses	+10%	15,793	15,793	(3,420)	(3,420)

\* excludes impact on profit rate assets

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance**

**Group**

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

	<b>2017</b>		<b>2016</b>			
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Malaysia</u></b>						
Motor	193,545	(7,535)	186,010	200,930	(7,481)	193,449
Fire	156,963	(57,136)	99,827	171,816	(77,691)	94,125
Marine, Aviation, Cargo and Transit	516,225	(499,540)	16,685	691,777	(677,867)	13,910
Miscellaneous	193,810	(79,502)	114,308	241,546	(112,149)	129,397
	<b>1,060,543</b>	<b>(643,713)</b>	<b>416,830</b>	<b>1,306,069</b>	<b>(875,188)</b>	<b>430,881</b>
<b><u>Singapore and Brunei</u></b>						
Motor	31,872	(1,643)	30,229	32,515	(1,366)	31,149
Fire	55,220	(28,378)	26,842	29,776	(7,219)	22,557
Marine, Aviation, Cargo and Transit	2,948	(504)	2,444	2,716	(649)	2,067
Miscellaneous	85,661	(25,692)	59,969	82,792	(25,009)	57,783
	<b>175,701</b>	<b>(56,217)</b>	<b>119,484</b>	<b>147,799</b>	<b>(34,243)</b>	<b>113,556</b>
<b>Total</b>	<b>1,236,244</b>	<b>(699,930)</b>	<b>536,314</b>	<b>1,453,868</b>	<b>(909,431)</b>	<b>544,437</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(ii) Key Assumptions and Methods**

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

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

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

<b>Unallocated loss adjustment expense</b>	<b>2017</b>	<b>2016</b>
Malaysia - Unallocated loss adjustment expense to paid loss ratio	5%	5%

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iii) Sensitivity analysis**

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

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

<b><u>General Insurance - Malaysia and Brunei businesses</u></b>	<b>Change in assumptions</b>	<b>Impact on gross liabilities RM'000</b>	<b>Impact on net liabilities RM'000</b>	<b>Impact on profit before tax RM'000</b>	<b>Impact on equity RM'000</b>
<b>2017</b>					
Net Incurred Claims Ratio	+ 5%	56,007	20,710	(20,710)	(15,740)
	- 5%	(56,007)	(20,710)	20,710	15,740
<b>2016</b>					
Net Incurred Claims Ratio	+ 5%	74,463	23,706	(23,706)	(18,017)
	- 5%	(74,463)	(23,706)	23,706	18,017

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iii) Sensitivity analysis (Contd.)**

<u>General Insurance - Singapore business</u>	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
<b>2017</b>					
Net Incurred Claims Ratio	+ 5%	8,645	6,021	(6,021)	(4,996)
	- 5%	(8,645)	(6,021)	6,021	4,996
<b>2016</b>					
Net Incurred Claims Ratio	+ 5%	8,496	6,092	(6,092)	(5,057)
	- 5%	(8,496)	(6,092)	6,092	5,057

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

**(iv) Claims development table**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Gross Insurance Contract Liabilities**

	Before	As at 31 December							Total
	2011	2011	2012	2013	2014	2015	2016	2017	
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of gross cumulative claims:									
At the end of accident year		387,941	640,233	687,574	3,368,421	472,373	500,223	650,926	
1 year later		533,071	670,334	507,493	3,324,465	644,826	427,229		
2 years later		386,610	655,020	600,092	3,870,607	677,394			
3 years later		396,983	681,399	552,955	3,318,451				
4 years later		398,866	654,031	559,641					
5 years later		371,960	656,948						
6 years later		369,778							
<b>Estimate of gross cumulative claims (A)</b>		<b>369,778</b>	<b>656,948</b>	<b>559,641</b>	<b>3,318,451</b>	<b>677,394</b>	<b>427,229</b>	<b>650,926</b>	
Estimate of gross cumulative payments to date:									
At the end of accident year		121,264	229,494	167,692	1,120,319	117,553	115,349	228,447	
1 year later		247,258	359,755	307,101	1,383,292	382,244	249,580		
2 years later		283,406	472,739	408,804	1,774,084	441,823			
3 years later		306,870	531,619	483,555	1,923,898				
4 years later		350,548	554,919	494,548					
5 years later		350,223	598,787						
6 years later		351,651							
<b>Gross cumulative payments (B)</b>		<b>351,651</b>	<b>598,787</b>	<b>494,548</b>	<b>1,923,898</b>	<b>441,823</b>	<b>249,580</b>	<b>228,447</b>	

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

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

	Before	As at 31 December							Total
	2011	2011	2012	2013	2014	2015	2016	2017	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross outstanding claim liabilities (A) - (B)	94,514	18,127	58,161	65,093	1,394,553	235,571	177,649	422,479	2,466,147
Gross outstanding claim liabilities for Brunei and Treaty Inward									61,186
Gross outstanding claim liabilities for Singapore									165,664
Unallocated loss adjustment expenses									4,795
Best estimate of gross claim liabilities									2,697,792
PRAD									178,308
Gross insurance claim liabilities as at 31 December 2017									<u>2,876,100</u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Net of Reinsurance**

Accident year	Before	As at 31 December							Total
	2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
Estimate of net cumulative claims:									
At the end of accident year		237,994	271,700	283,985	263,503	255,864	248,567	206,015	
1 year later		239,453	258,324	265,906	251,303	249,573	227,268		
2 years later		234,554	260,331	274,429	246,969	244,085			
3 years later		238,818	264,442	273,160	238,975				
4 years later		239,469	261,799	270,775					
5 years later		238,372	260,463						
6 years later		236,211							
<b>Estimate of net cumulative claims (A)</b>		<b>236,211</b>	<b>260,463</b>	<b>270,775</b>	<b>238,975</b>	<b>244,085</b>	<b>227,268</b>	<b>206,015</b>	
Estimate of net cumulative payments to date:									
At the end of accident year		104,838	113,841	131,720	113,052	105,240	109,745	95,787	
1 year later		197,855	211,743	224,674	195,128	197,502	183,464		
2 years later		220,615	239,069	244,820	215,245	220,400			
3 years later		229,267	247,803	255,638	225,251				
4 years later		231,826	251,671	259,964					
5 years later		232,884	252,483						
6 years later		233,369							
<b>Net cumulative payments (B)</b>		<b>233,369</b>	<b>252,483</b>	<b>259,964</b>	<b>225,251</b>	<b>220,400</b>	<b>183,464</b>	<b>95,787</b>	

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

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

	Before	As at 31 December							Total
	2011	2011	2012	2013	2014	2015	2016	2017	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net outstanding claim liabilities (A) - (B)	4,949	2,842	7,980	10,811	13,724	23,685	43,804	110,228	218,023
Net outstanding claim liabilities for Brunei and Treaty Inward									60,175
Net outstanding claim liabilities for Singapore									120,108
Unallocated loss adjustment expenses									4,795
Best estimate of net claim liabilities									403,101
PRAD									40,149
Net insurance claim liabilities as at 31 December 2017									443,250

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Gross Insurance Contract Liabilities**

Accident year	Before	As at 31 December							Total
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	
Estimate of gross cumulative claims:									
At the end of accident year		562,758	387,941	640,233	687,574	3,368,421	472,373	500,223	
1 year later		738,192	533,071	670,334	507,493	3,324,465	644,826		
2 years later		733,794	386,610	655,020	600,092	3,870,607			
3 years later		669,579	396,983	681,399	552,955				
4 years later		631,422	398,866	654,031					
5 years later		620,503	371,960						
6 years later		637,108							
<b>Estimate of gross cumulative claims (A)</b>		<b>637,108</b>	<b>371,960</b>	<b>654,031</b>	<b>552,955</b>	<b>3,870,607</b>	<b>644,826</b>	<b>500,223</b>	
Estimate of gross cumulative payments to date:									
At the end of accident year		141,508	121,264	229,494	167,692	1,120,319	117,553	115,351	
1 year later		324,251	247,258	359,755	307,101	1,383,292	382,246		
2 years later		399,692	283,406	472,739	408,804	1,774,084			
3 years later		503,397	306,870	531,619	483,555				
4 years later		511,782	350,548	554,919					
5 years later		594,059	350,223						
6 years later		595,499							
<b>Gross cumulative payments (B)</b>		<b>595,499</b>	<b>350,223</b>	<b>554,919</b>	<b>483,555</b>	<b>1,774,084</b>	<b>382,246</b>	<b>115,351</b>	

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

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

	Before	As at 31 December							
	2010	2010	2011	2012	2013	2014	2015	2016	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross outstanding claim liabilities (A) - (B)	86,444	41,609	21,737	99,112	69,400	2,096,523	262,580	384,872	3,062,277
Gross outstanding claim liabilities for Brunei and Treaty Inward									69,449
Gross outstanding claim liabilities for Singapore									182,178
Unallocated loss adjustment expenses									15,100
Best estimate of gross claim liabilities									<u>3,329,004</u>
PRAD									290,944
Gross insurance claim liabilities as at 31 December 2016									<u><u>3,619,948</u></u>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Net of Reinsurance**

	Before	As at 31 December							Total
	2010	2010	2011	2012	2013	2014	2015	2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims:									
At the end of accident year		366,444	237,994	271,700	283,985	263,503	255,864	248,567	
1 year later		257,423	239,453	258,324	265,906	251,303	249,573		
2 years later		257,693	234,554	260,331	274,429	246,969			
3 years later		254,756	238,818	264,442	273,160				
4 years later		256,253	239,469	261,799					
5 years later		258,008	238,372						
6 years later		255,325							
<b>Estimate of net cumulative claims (A)</b>		<b>255,325</b>	<b>238,372</b>	<b>261,799</b>	<b>273,160</b>	<b>246,969</b>	<b>249,573</b>	<b>248,567</b>	
Estimate of net cumulative payments to date:									
At the end of accident year		129,148	104,838	113,841	131,720	113,052	105,240	109,747	
1 year later		215,845	197,855	211,743	224,674	195,128	197,503		
2 years later		239,697	220,615	239,069	244,820	215,244			
3 years later		247,450	229,267	247,803	255,638				
4 years later		249,705	231,826	251,671					
5 years later		250,289	232,884						
6 years later		250,916							
<b>Net cumulative payments (B)</b>		<b>250,916</b>	<b>232,884</b>	<b>251,671</b>	<b>255,638</b>	<b>215,244</b>	<b>197,503</b>	<b>109,747</b>	

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(C) General Insurance (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

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

	Before	As at 31 December							Total
	2010	2010	2011	2012	2013	2014	2015	2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net outstanding claim liabilities (A) - (B)	4,057	4,409	5,488	10,128	17,522	31,725	52,070	138,820	264,219
Net outstanding claim liabilities for Brunei and Treaty Inward									67,638
Net outstanding claim liabilities for Singapore									129,839
Unallocated loss adjustment expenses									15,100
Best estimate of net claim liabilities									<u>476,796</u>
PRAD									41,653
Net insurance claim liabilities as at 31 December 2016									<u>518,449</u>

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful Fund**

**Group**

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

	<b>Gross RM'000</b>	<b>2017 Retakaful RM'000</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>2016 Retakaful RM'000</b>	<b>Net RM'000</b>
Motor	842,203	(5,157)	837,046	875,242	(8,868)	866,374
Fire	165,072	(52,505)	112,567	148,418	(48,252)	100,166
Marine Cargo, Aviation						
Cargo and Transit	15,688	(12,646)	3,042	18,009	(15,645)	2,364
Miscellaneous	195,402	(71,226)	124,176	139,973	(30,978)	108,995
	<u>1,218,365</u>	<u>(141,534)</u>	<u>1,076,831</u>	<u>1,181,642</u>	<u>(103,743)</u>	<u>1,077,899</u>

**(ii) Key Assumptions and methods**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful Fund (Contd.)**

**Group**

**(ii) Key Assumptions and methods (Contd.)**

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

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

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

**(iii) Sensitivity analyses**

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

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful fund (Contd.)**

**Group**

**(iii) Sensitivity analyses (Contd.)**

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

	<b>% change in Key assumptions</b>	<b>Impact on gross liabilities RM'000</b>	<b>Impact on net liabilities RM'000</b>	<b>Impact on profit before tax RM'000</b>	<b>Impact on equity RM'000</b>
<b>2017</b>					
Incurring Claims Ratio	+ 5%	61,272	55,116	(55,116)	(41,888)
	- 5%	(61,272)	(55,116)	55,116	41,888
<b>2016</b>					
Incurring Claims Ratio	+ 5%	59,005	54,259	(54,259)	(41,237)
	- 5%	(59,005)	(54,259)	54,259	41,237

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful Fund (Contd.)**

**Group**

**(iv) Claims development table**

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

**Analysis of claims development - Gross Takaful Certificate Liabilities**

Accident year	Before	As at 31 December							Total
	2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
Estimate of cumulative claims:									
At the end of accident year		437,396	479,285	565,662	589,933	660,739	783,911	724,824	
1 year later		436,220	466,666	554,496	617,750	639,081	816,040		
2 years later		422,091	458,241	564,434	608,081	608,828			
3 years later		435,791	463,180	569,810	601,915				
4 years later		435,672	459,482	575,192					
5 years later		435,987	462,151						
6 years later		436,576							
<b>Estimate of gross cumulative claims to date (A)</b>		<b>436,576</b>	<b>462,151</b>	<b>575,192</b>	<b>601,915</b>	<b>608,828</b>	<b>816,040</b>	<b>724,824</b>	

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful Fund (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

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

Accident year	Before	As at 31 December							
	2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
Estimate of cumulative payments to date:									
At the end of accident year		131,482	187,973	238,771	231,130	264,533	310,865	345,399	
1 year later		269,769	366,008	405,337	470,575	461,390	578,439		
2 years later		376,785	413,088	463,144	532,800	544,057			
3 years later		391,811	432,662	488,313	557,757				
4 years later		396,008	440,634	500,352					
5 years later		400,990	446,638						
6 years later		423,515							
<b>Gross cumulative claims paid to date (B)</b>		<b>423,515</b>	<b>446,638</b>	<b>500,352</b>	<b>557,757</b>	<b>544,057</b>	<b>578,439</b>	<b>345,399</b>	
Best estimate of gross claim liabilities (A) - (B)	9,706	13,061	15,513	74,840	44,158	64,771	237,601	379,425	839,075
PRAD									93,577
Gross takaful claim liabilities as at 31 December 2017									<b>932,652</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful Fund (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Net of Retakaful**

Accident year	Before	As at 31 December							Total
	2011	2011	2012	2013	2014	2015	2016	2017	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims:									
At the end of accident year		325,123	456,465	506,657	532,858	630,670	708,666	699,503	
1 year later		336,639	447,504	477,414	506,414	610,264	664,057		
2 years later		332,456	441,755	486,131	496,700	586,008			
3 years later		338,513	446,237	488,639	490,130				
4 years later		340,270	442,678	492,758					
5 years later		336,354	444,549						
6 years later		337,196							
<b>Estimate of net cumulative claims to date (A)</b>		<b>337,196</b>	<b>444,549</b>	<b>492,758</b>	<b>490,130</b>	<b>586,008</b>	<b>664,057</b>	<b>699,503</b>	
Estimate of cumulative payments to date:									
At the end of accident year		130,642	186,608	235,297	227,238	259,797	307,415	340,963	
1 year later		266,182	356,576	383,436	386,400	449,210	521,479		
2 years later		307,058	399,389	433,014	435,687	525,894			
3 years later		321,595	417,899	456,352	458,229				
4 years later		325,611	425,427	466,121					
5 years later		327,836	430,113						
6 years later		330,381							
<b>Net cumulative claims paid to date (B)</b>		<b>330,381</b>	<b>430,113</b>	<b>466,121</b>	<b>458,229</b>	<b>525,894</b>	<b>521,479</b>	<b>340,963</b>	
Best estimate of net claim liabilities (A) - (B)	5,856	6,815	14,436	26,637	31,901	60,114	142,578	358,540	646,877
PRAD									68,679
Net claim liabilities as at 31 December 2017									<b>715,556</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful Fund (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Gross Takaful Certificate Liabilities**

Accident year	Before	As at 31 December							Total
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	
Estimate of cumulative claims:									
At the end of accident year		394,600	437,396	479,285	565,662	589,933	660,739	783,911	
1 year later		258,963	436,220	466,666	554,496	617,750	639,081		
2 years later		260,490	422,091	458,241	564,434	608,081			
3 years later		259,613	435,791	463,180	569,810				
4 years later		260,780	435,672	459,482					
5 years later		261,143	435,987						
6 years later		254,522							
<b>Estimate of gross cumulative claims to date (A)</b>		<b>254,522</b>	<b>435,987</b>	<b>459,482</b>	<b>569,810</b>	<b>608,081</b>	<b>639,081</b>	<b>783,911</b>	
Estimate of cumulative payments to date:									
At the end of accident year		94,507	131,482	187,973	238,771	231,130	264,533	310,865	
1 year later		191,698	269,769	366,008	405,337	470,575	461,390		
2 years later		226,315	376,785	413,088	463,144	532,800			
3 years later		242,215	391,811	432,662	488,313				
4 years later		246,636	396,008	440,634					
5 years later		247,668	400,990						
6 years later		248,735							
<b>Gross cumulative claims paid to date (B)</b>		<b>248,735</b>	<b>400,990</b>	<b>440,634</b>	<b>488,313</b>	<b>532,800</b>	<b>461,390</b>	<b>310,865</b>	
Best estimate of gross claim liabilities (A) - (B)	8,995	5,787	34,997	18,848	81,497	75,281	177,691	473,046	876,142
PRAD									102,069
Gross claim liabilities as at 31 December 2016									<b>978,211</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**44. INSURANCE/TAKAFUL RISK (CONTD.)**

**(D) General Takaful Fund (Contd.)**

**Group**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Net of Retakaful**

Accident year	Before	As at 31 December							Total
	2010	2010	2011	2012	2013	2014	2015	2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims:									
At the end of accident year		342,237	325,123	456,465	506,657	532,858	630,670	708,666	
1 year later		227,980	336,639	447,504	477,414	506,414	610,264		
2 years later		227,866	332,456	441,755	486,131	496,700			
3 years later		225,160	338,513	446,237	488,639				
4 years later		225,395	340,270	442,678					
5 years later		226,474	336,354						
6 years later		225,793							
<b>Estimate of net cumulative claims to date (A)</b>		<b>225,793</b>	<b>336,354</b>	<b>442,678</b>	<b>488,639</b>	<b>496,700</b>	<b>610,264</b>	<b>708,666</b>	
Estimate of cumulative payments to date:									
At the end of accident year		91,793	130,642	186,608	235,297	227,238	259,797	307,415	
1 year later		171,337	266,182	356,576	383,436	386,400	449,210		
2 years later		204,893	307,058	399,389	433,014	435,687			
3 years later		216,241	321,595	417,899	456,352				
4 years later		219,629	325,611	425,427					
5 years later		220,626	327,836						
6 years later		221,672							
<b>Net cumulative claims paid to date (B)</b>		<b>221,672</b>	<b>327,836</b>	<b>425,427</b>	<b>456,352</b>	<b>435,687</b>	<b>449,210</b>	<b>307,415</b>	
Best estimate of net claim liabilities (A) - (B)	6,068	4,121	8,518	17,251	32,287	61,013	161,054	401,251	691,563
PRAD									71,134
Net claim liabilities as at 31 December 2016									<b>762,697</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**45. FINANCIAL RISKS**

**(i) Credit Risk**

Credit risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, underwriting, trading and investment activities from both on-balance sheet transactions and off-balance sheet transactions, if

Credit or spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of these instruments. Changes in the level or in the volatility of both spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit risk arises when a borrower or counterparty is no longer able to pay their debt. The Group's exposure to credit risk arises mainly from fixed income investment activities.

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

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

**Credit Exposure**

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure (Contd.)**

**Group**

	<b>Total Insurance Funds RM'000</b>	<b>Total Takaful Funds RM'000</b>	<b>Total Shareholders' Funds RM'000</b>	<b>Total RM'000</b>
<b><u>2017</u></b>				
<b>LAR</b>				
Fixed and call deposits	839,456	785,228	694,260	2,318,944
<b>AFS financial investments</b>				
Equity securities	1,098,538	864,368	252,617	2,215,523
Malaysian government papers	92,715	397,477	246,865	737,057
Singapore government securities	37,695	-	-	37,695
Debt securities, structured products and NICDs	399,153	4,116,281	3,029,694	7,545,128
Unit and property trust funds	92,529	636	259	93,424

**Financial investments at FVTPL**

**(i) Designated upon initial recognition**

Malaysian government papers	240,275	140,809	-	381,084
Singapore government securities	364,461	-	-	364,461
Debt securities, structured products, NCDs and NICDs	7,064,916	5,015,459	-	12,080,375

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure (Contd.)**

<b>Group</b>	<b>Total Insurance Funds RM'000</b>	<b>Total Takaful Funds RM'000</b>	<b>Total Shareholders' Funds RM'000</b>	<b>Total RM'000</b>
<b><u>2017 (Contd.)</u></b>				

**Financial investments at FVTPL (Contd.)**

**(ii) Held-for-trading (HFT)**

Equity securities	912,914	56,308	-	969,222
Malaysian government papers	88,058	4,704	-	92,762
Debt securities and structured products	244,689	18,769	-	263,458
Unit and property trust funds	53,032	507	-	53,539
Financing receivables	210,258	-	47,520	257,778
Reinsurance/retakaful assets	2,741,120	341,253	-	3,082,373
Insurance/takaful receivables	436,008	179,292	-	615,300
Other receivables	106,782	276,080	477,296	860,158
Derivative assets	12,733	-	-	12,733
Cash and bank balances	306,410	79,378	26,044	411,832
	<b>15,341,742</b>	<b>12,276,549</b>	<b>4,774,555</b>	<b>32,392,846</b>

**2016**

**LAR**

Fixed and call deposits	1,339,246	952,316	500,216	2,791,778
-------------------------	-----------	---------	---------	-----------

**AFS financial investments**

Equity securities	898,109	871,967	270,870	2,040,946
Malaysian government papers	96,534	404,350	395,306	896,190
Singapore government securities	34,776	-	-	34,776
Debt securities, structured products and NICDs	485,823	3,005,354	2,665,934	6,157,111
Unit and property trust funds	59,060	40,396	106,276	205,732

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure (Contd.)**

**Group**

<b><u>2016 (Contd.)</u></b>	<b>Total Insurance Funds RM'000</b>	<b>Total Takaful Funds RM'000</b>	<b>Total Shareholders' Funds RM'000</b>	<b>Total RM'000</b>
<b>Financial investments at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Malaysian government papers	238,233	179,283	-	417,516
Singapore government securities	102,848	-	-	102,848
Debt securities, structured products, NCDs and NICDs	6,513,426	5,497,369	-	12,010,795
<b>(ii) Held-for-trading (HFT)</b>				
Equity securities	677,761	9,978	-	687,739
Malaysian government papers	59,336	7,172	-	66,508
Debt securities and structured products	277,112	10,692	-	287,804
Unit and property trust funds	19,805	226	-	20,031
Financing receivables	213,881	-	52,857	266,738
Reinsurance/retakaful assets	3,409,282	291,849	-	3,701,131
Insurance/takaful receivables	287,427	150,097	-	437,524
Other receivables	211,777	116,183	32,067	360,027
Derivative assets	56	-	-	56
Cash and bank balances	213,924	140,540	22,876	377,340
	<b>15,138,416</b>	<b>11,677,772</b>	<b>4,046,402</b>	<b>30,862,590</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure (Contd.)**

**Company**

	<b>Total Shareholder's Fund RM'000</b>
<b><u>2017</u></b>	
<b>LAR</b>	
Fixed and call deposits	72,148
Financing receivables	1,113
Other receivables	2,932
Cash and bank balances	3,460
	<u>79,653</u>
<b><u>2016</u></b>	
<b>LAR</b>	
Fixed and call deposits	86,630
<b>AFS financial investments</b>	
Unit and property trust funds	102,311
Financing receivables	752
Other receivables	4,413
Cash and bank balances	2,805
	<u>196,911</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure by rating**

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

Group	Neither past-due nor impaired			Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000				
<b><u>2017</u></b>							
<b>LAR</b>							
Fixed and call deposits	2,223,075	-	-	95,869	-	-	2,318,944
<b>AFS financial investments</b>							
Equity securities	-	-	-	-	-	2,215,523	2,215,523
Malaysian government papers	-	-	737,057	-	-	-	737,057
Singapore government securities	37,695	-	-	-	-	-	37,695
Debt securities, structured products and NICDs	5,581,049	-	1,964,079	-	-	-	7,545,128
Unit and property trust funds	-	-	-	-	-	118,657	118,657

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure by rating (Contd.)**

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

Group	Neither past-due nor impaired			Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000				
<b><u>2017 (Contd.)</u></b>							
<b>Financial investments at FVTPL</b>							
<b>(i) Designated upon initial recognition</b>							
Malaysian government papers	-	-	381,084	-	-	-	381,084
Singapore government securities	364,461	-	-	-	-	-	364,461
Debt securities, structured products, NCDs and NICDs	8,582,242	-	3,498,133	-	-	-	12,080,375
<b>(ii) Held- for- trading (HFT)</b>							
Equity securities	-	-	-	969,222	-	-	969,222
Malaysian government papers	-	-	-	92,762	-	-	92,762
Debt securities and structured products	-	-	-	263,458	-	-	263,458
Unit and property trust funds	-	-	-	53,539	-	-	53,539

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure by rating (Contd.)**

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

Group	Neither past-due nor impaired			Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000				
<b><u>2017 (Contd.)</u></b>							
Financing receivables	-	-	257,045	-	733	-	257,778
Reinsurance/retakaful assets	1,721,332	57,853	953,624	-	-	349,564	3,082,373
Insurance/takaful receivables <sup>^^</sup>	1,067	-	567,952	-	72,568	-	641,587
Other receivables	445,980	1	314,766	6,198	732	320,498	1,088,175
Derivative assets	12,733	-	-	-	-	-	12,733
Cash and bank balances	407,576	-	1,458	2,798	-	-	411,832
	<b>19,377,210</b>	<b>57,854</b>	<b>8,675,198</b>	<b>1,483,846</b>	<b>74,033</b>	<b>3,004,242</b>	<b>32,672,383</b>

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

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

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

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure by rating (Contd.)**

Group	Neither past-due nor impaired			Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000				
<b><u>2016</u></b>							
<b>LAR</b>							
Fixed and call deposits	2,651,139	-	-	140,639	-	-	2,791,778
<b>AFS financial investments</b>							
Equity securities	-	-	-	-	-	2,040,946	2,040,946
Malaysian government papers	-	-	896,190	-	-	-	896,190
Singapore government securities	34,776	-	-	-	-	-	34,776
Debt securities, structured products and NICDs	4,432,226	-	1,724,885	-	-	-	6,157,111
Unit and property trust funds	-	-	-	-	-	205,732	205,732

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure by rating (Contd.)**

Group	Neither past-due nor impaired			Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000				
<b><u>2016 (Contd.)</u></b>							
<b>Financial investments at FVTPL</b>							
<b>(i) Designated upon initial recognition</b>							
Malaysian government papers	-	-	417,516	-	-	-	417,516
Singapore government securities	102,848	-	-	-	-	-	102,848
Debt securities, structured products, NCDs and NICDs	8,991,886	-	3,018,909	-	-	-	12,010,795
<b>(ii) Held- for- trading (HFT)</b>							
Equity securities	-	-	-	677,761	-	9,978	687,739
Malaysian government papers	-	-	-	66,508	-	-	66,508
Debt securities and structured products	-	-	-	287,804	-	-	287,804
Unit and property trust funds	-	-	-	19,805	-	226	20,031

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure by rating (Contd.)**

Group	Neither past-due nor impaired			Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000				
<b><u>2016 (Contd.)</u></b>							
Financing receivables	360	-	262,508	-	3,870	-	266,738
Reinsurance/retakaful assets	1,944,569	121,123	1,273,709	-	-	361,730	3,701,131
Insurance/takaful receivables <sup>^^</sup>	5,006	5	372,595	-	59,918	-	437,524
Other receivables	180,814	-	56,049	6,765	148	116,251	360,027
Derivative assets	56	-	-	-	-	-	56
Cash and bank balances	330,882	-	45,103	1,355	-	-	377,340
	<b>18,674,562</b>	<b>121,128</b>	<b>8,067,464</b>	<b>1,200,637</b>	<b>63,936</b>	<b>2,734,863</b>	<b>30,862,590</b>

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure by rating (Contd.)**

Company	Neither past-due nor impaired		Not subject to credit risk RM'000	Total RM'000
	*A to AAA RM'000	*Not Rated RM'000		
<b><u>2017</u></b>				
<b>LAR</b>				
Fixed and call deposits	72,148	-	-	72,148
Financing receivables	-	1,113	-	1,113
Other receivables	351	2,581	-	2,932
Cash and bank balances	3,460	-	-	3,460
	<u>75,959</u>	<u>3,694</u>	-	<u>79,653</u>
<b><u>2016</u></b>				
<b>LAR</b>				
Fixed and call deposits	86,630	-	-	86,630
<b>AFS financial investments</b>				
Unit and property trust funds	-	-	102,311	102,311
Financing receivables	-	752	-	752
Other receivables	1,234	3,170	9	4,413
Cash and bank balances	2,805	-	-	2,805
	<u>90,669</u>	<u>3,922</u>	<u>102,320</u>	<u>196,911</u>

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Quality of Financial Assets**

**Group**

	Past due but not impaired				Impaired			
	< 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000	Original carrying amount RM'000	Allowance for impairment RM'000	Net carrying amount RM'000	Total RM'000
<b><u>2017</u></b>								
Financing receivables	-	-	733	733	11,577	(11,577)	-	733
Reinsurance/retakaful assets	-	-	-	-	1,924	(1,924)	-	-
Insurance/takaful receivables	56,156	12,190	4,222	72,568	16,728	(16,728)	-	72,568
Other receivables	-	-	423	423	10,760	(10,451)	309	732
Derivative assets	-	-	-	-	-	-	-	-
Cash and bank balances	-	-	-	-	-	-	-	-
	<b>56,156</b>	<b>12,190</b>	<b>5,378</b>	<b>73,724</b>	<b>40,989</b>	<b>(40,680)</b>	<b>309</b>	<b>74,033</b>
<b><u>2016</u></b>								
Financing receivables	48	48	3,774	3,870	5,609	(5,609)	-	3,870
Reinsurance/retakaful assets	-	-	-	-	529	(529)	-	-
Insurance/takaful receivables	54,288	18,626	7,381	80,295	20,417	(20,417)	-	80,295
Other receivables	-	-	-	-	2,256	(2,108)	148	148
	<b>54,336</b>	<b>18,674</b>	<b>11,155</b>	<b>84,165</b>	<b>28,811</b>	<b>(28,663)</b>	<b>148</b>	<b>84,313</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Quality of Financial Assets (Contd.)**

**Company**

**2017**

Financing receivables  
Other receivables

	<b>Impaired</b>		
	<b>Original carrying amount RM'000</b>	<b>Allowance for impairment RM'000</b>	<b>Net carrying amount RM'000</b>
	1	(1)	-
	7,161	(7,161)	-
	<u>7,162</u>	<u>(7,162)</u>	<u>-</u>

**2016**

Financing receivables  
Other receivables

	1	(1)	-
	7,161	(7,161)	-
	<u>7,162</u>	<u>(7,162)</u>	<u>-</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Group - Reconciliation of allowance account**

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

<b><u>2017</u></b>	<b>Financing receivables RM'000 (Note 11)</b>	<b>Reinsurance/ retakaful assets RM'000 (Note 12)</b>	<b>Insurance/ takaful receivables RM'000 (Note 13)</b>	<b>Other receivables RM'000 (Note 14)</b>	<b>Total RM'000</b>
<b><u>Individual allowance</u></b>					
At 1 January 2017	5,609	529	15,122	9,269	30,529
Reclassification (Reversal of impairment losses)/impairment losses during the year	-	-	-	(4)	(4)
Amount written off	5,968	1,395	(3,164)	1,186	5,385
Exchange differences	-	-	(3)	-	(3)
At 31 December 2017	-	-	(10)	-	(10)
	<b>11,577</b>	<b>1,924</b>	<b>11,945</b>	<b>10,451</b>	<b>35,897</b>
<b><u>Collective allowance</u></b>					
At 1 January 2017	-	-	5,295	-	5,295
Reversal of impairment losses during the year	-	-	(492)	-	(492)
Exchange differences	-	-	(20)	-	(20)
At 31 December 2017	-	-	4,783	-	4,783

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Group - Reconciliation of allowance account (Contd.)**

Movements in allowances for impairment losses for financial assets are as follows (Contd.):

<b><u>2016</u></b>	<b>Financing receivables RM'000 (Note 11)</b>	<b>Reinsurance/ retakaful assets RM'000 (Note 12)</b>	<b>Insurance/ takaful receivables RM'000 (Note 13)</b>	<b>Other receivables RM'000 (Note 14)</b>	<b>Total RM'000</b>
<b><u>Individual allowance</u></b>					
At 1 January 2016					
- as previously stated	9,579	5,963	20,428	9,401	45,371
- effect of adopting FRS 139	-	-	-	-	-
At 1 January 2016	9,579	5,963	20,428	9,401	45,371
(Reversal of impairment losses)/impairment losses during the year	(771)	(5,434)	914	(132)	(5,423)
Amount written off	(3,199)	-	(6,236)	-	(9,435)
Exchange differences	-	-	16	-	16
At 31 December 2016	5,609	529	15,122	9,269	30,529
<b><u>Collective allowance</u></b>					
At 1 January 2016	-	-	24,022	24	24,046
Reversal of impairment losses during the year	-	-	(18,751)	(24)	(18,775)
Exchange differences	-	-	24	-	24
At 31 December 2016	-	-	5,295	-	5,295

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Company - Reconciliation of allowance account**

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

	<b>Financing receivables RM'000 (Note 11)</b>	<b>Other receivables RM'000 (Note 14)</b>	<b>Total RM'000</b>
<b>2017</b>			
<b><u>Individual allowance</u></b>			
At 1 January/31 December 2017	1	7,161	7,162
<b>2016</b>			
<b><u>Individual allowance</u></b>			
At 1 January/31 December 2016	1	7,161	7,162

**Financial Effects of Collateral Held**

**Group**

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

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

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 95% as at 31 December 2017 (2016: 98%). The financing receivables amounted to RM261.1 million as at 31 December 2017 (2016: RM260.3 million) are collateralised. The remaining balance of financing receivables are not collateralised.

**Company**

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables of the Company is 100% as at 31 December 2017 (2016: 100%). The financing receivables amounting to RM1.1 million as at 31 December 2017 (2016: RM0.75 million) are collateralised.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**45. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk**

Liquidity risk is the risk of an adverse impact to the Group's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The objective of liquidity risk management is to have sufficient cash availability to meet policyholders' liabilities, such as surrenders, withdrawal, claims and the maturity benefits, and other contract holders without endangering the business financials due to constraints on liquidating assets.

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

- (a) The Risk Management and Investment Management Department actively monitor the cash flows associated and derived from assets and liabilities of the Group through the ALCO platform;
- (b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets at all times; and
- (c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

**Maturity Profiles**

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

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

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

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

**Group**

<b><u>2017</u></b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
Investments:						
LAR	2,318,944	2,218,944	-	-	-	2,218,944
AFS	10,431,713	666,866	3,438,860	8,399,617	2,334,180	14,839,523
FVTPL	14,204,901	1,474,186	4,568,449	15,965,378	56,816	22,064,829
Financing receivables	257,778	7,138	22,320	35,093	380	64,931
Reinsurance/retakaful assets*	2,767,576	1,891,940	812,847	90,478	-	2,795,265
Insurance/takaful receivables	641,587	641,587	-	-	-	641,587
Other receivables	1,088,175	1,085,601	2,012	-	562	1,088,175
Derivative assets	12,733	12,733	-	-	-	12,733
Cash and bank balances	411,832	409,989	1,842	-	-	411,831
<b>Total assets</b>	<b>32,135,240</b>	<b>8,408,984</b>	<b>8,846,330</b>	<b>24,490,566</b>	<b>2,391,938</b>	<b>44,137,818</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

**Group**

<b><u>2017 (Contd.)</u></b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
Insurance/takaful contract liabilities**	23,135,946	9,250,648	4,164,472	18,048,947	301,909	31,765,976
Subordinated obligations	800,000	46,048	134,788	849,458	-	1,030,294
Expense liabilities***	379,794	30,957	92,627	256,211	-	379,795
Derivative liabilities	25,806	12,366	13,440	-	-	25,806
Insurance/takaful payables	524,931	524,931	-	-	-	524,931
Other payables	1,384,242	1,383,593	-	-	649	1,384,242
Interest/profit payable on subordinated obligations	11,308	11,308	-	-	-	11,308
<b>Total liabilities</b>	<b>26,262,027</b>	<b>11,259,851</b>	<b>4,405,327</b>	<b>19,154,616</b>	<b>302,558</b>	<b>35,122,352</b>

\* Excluding premium/contribution liabilities.

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

\*\*\* Excluding expense liabilities relating to General takaful fund.

*Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).*

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

**Group**

<b>2016</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
Investments:						
LAR	2,791,778	2,791,778	-	-	-	2,791,778
AFS	9,334,755	411,818	3,497,225	7,126,230	2,246,678	13,281,951
FVTPL	13,593,241	1,131,843	5,246,152	14,287,128	707,770	21,372,893
Financing receivables	266,738	222,770	20,642	27,960	-	271,372
Reinsurance/retakaful assets*	3,395,019	2,332,382	1,001,372	97,697	-	3,431,451
Insurance/takaful receivables	437,524	437,524	-	-	-	437,524
Other receivables	360,027	359,858	-	-	169	360,027
Derivative assets	56	56	-	-	-	56
Cash and bank balances	377,340	377,340	-	-	-	377,340
<b>Total assets</b>	<b>30,556,478</b>	<b>8,065,369</b>	<b>9,765,391</b>	<b>21,539,015</b>	<b>2,954,617</b>	<b>42,324,392</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

**Group**

<b>2016 (Contd.)</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
Insurance/takaful contract liabilities**	22,320,599	7,790,696	3,218,498	19,077,000	205,976	30,292,170
Subordinated obligations	800,000	34,422	136,628	876,330	-	1,047,380
Expense liabilities***	391,165	81,376	101,605	529,536	-	712,517
Derivative liabilities	64,204	24,060	40,144	-	-	64,204
Insurance/takaful payables	414,741	414,741	-	-	-	414,741
Other payables	986,586	986,586	-	-	-	986,586
Interest/profit payable on subordinated obligations	11,309	11,309	-	-	-	11,309
<b>Total liabilities</b>	<b>24,988,604</b>	<b>9,343,190</b>	<b>3,496,875</b>	<b>20,482,866</b>	<b>205,976</b>	<b>33,528,907</b>

\* Excluding premium/contribution liabilities.

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

\*\*\* Excluding expense liabilities relating to General takaful fund.

*Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).*

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

**Company**

	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b><u>2017</u></b>						
Investments:						
LAR	72,148	72,148	-	-	-	72,148
AFS	-	-	-	-	-	-
Financing receivables	1,113	187	662	264	-	1,113
Other receivables	2,932	2,421	-	-	511	2,932
Cash and bank balances	3,460	3,460	-	-	-	3,460
<b>Total assets</b>	<b>79,653</b>	<b>78,216</b>	<b>662</b>	<b>264</b>	<b>511</b>	<b>79,653</b>
Other payables	7,083	7,083	-	-	-	7,083
<b>Total liabilities</b>	<b>7,083</b>	<b>7,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,083</b>

33361-W

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**45. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

**Company**

<b><u>2016</u></b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
Investments:						
LAR	86,630	86,630	-	-	-	86,630
AFS	102,311	-	-	-	102,311	102,311
Financing receivables	752	98	313	341	-	752
Other receivables	4,413	4,403	-	-	10	4,413
Cash and bank balances	2,805	2,805	-	-	-	2,805
<b>Total assets</b>	<b>196,911</b>	<b>93,936</b>	<b>313</b>	<b>341</b>	<b>102,321</b>	<b>196,911</b>
Other payables	2,625	2,625	-	-	-	2,625
<b>Total liabilities</b>	<b>2,625</b>	<b>2,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,625</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**45. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk**

Market risk is the risk of loss or of adverse change in the Group's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market risk comprises three (3) types of risk:

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

The Group has three (3) main key features in respect of its market risk management practices and policies:

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

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**45. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(a) Currency Risk**

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

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

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

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

**(b) Interest/Profit Rate Risk**

Interest/profit rate risk is the risk that the fair value of future cash flows of a financial instrument will not move in tandem with fair value of liabilities arising from changes in interest/profit rates.

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

The Group measures and manages interest/profit rate risk mainly based on the following three philosophies and principles.

- (a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
- (b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality; and
- (c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**45. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(b) Interest/Profit Rate Risk (Contd.)**

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

Changes in variables	2017		2016	
	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
+100 basis points	(359,472)	(506,729)	(355,617)	(529,485)
-100 basis points	359,472	506,729	355,617	529,485

\* Impact on equity is after tax of 24% (2016: 24%) for Malaysia operations and 17% (2016: 17%) for Singapore operation.

**(c) Equity Price Risk**

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

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

The Group's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may incur over time.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**45. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(c) Equity Price Risk (Contd.)**

	2017		2016	
	Impact on profit before tax RM'000	Impact on equity** RM'000	Impact on profit before tax RM'000	Impact on equity** RM'000
Bursa Malaysia/ +10%	-	77,575	-	72,787
Singapore Exchange -10%	-	(77,575)	-	(72,787)

\*\* Impact on equity is after tax of 24% (2016: 24%) for Malaysia operations and 17% (2016: 17%) for Singapore operation.

**(iv) Concentration Risk**

Concentration risk refers to the risk associated with the potential losses arising from a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Group and its core operations causing material adverse impact to the earnings, capital or total assets.

This covers exposure to excessive concentration in any type of Market Risk, Credit Risk or Liquidity Risk. Concentration risk relates to non-diversified portfolios and arises due to excessive exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**46. OPERATIONAL RISKS**

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

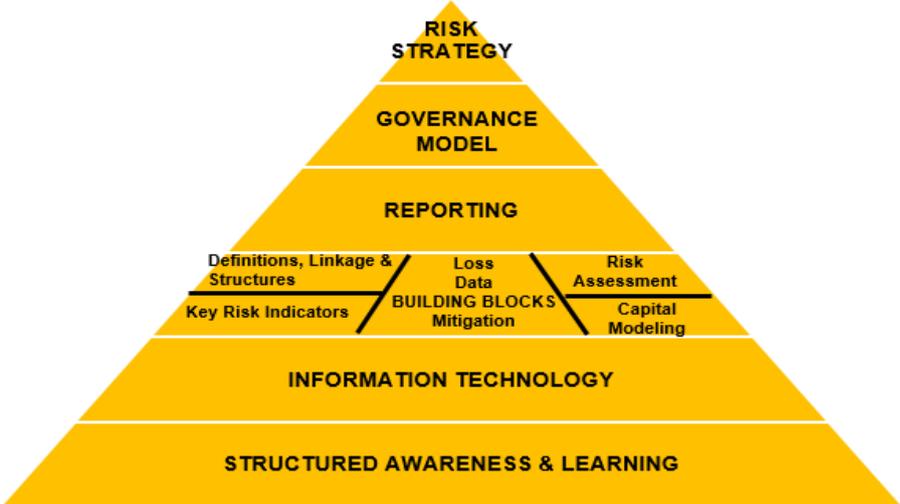
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

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

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

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

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



**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)****47. ENTERPRISE RISK**

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

**(i) Regulatory Risk**

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

**(ii) Competitor Risk**

Competitor risks could arise due to changes in competition landscape or market position, which include:

- Rivalry with existing competitors (e.g. price wars);
- Substitute products (e.g. mutual funds as an alternative to the insurance savings element, disintermediation);
- Customer bargaining power (e.g. increasing sophistication of insurance/banking customers); and
- Supplier bargaining power (e.g. availability of reinsurance).

**(iii) Distribution Risk**

This is the risk of a loss due to distribution plans deviating adversely from expectations, especially in reliance on external parties and partners for the distribution and may include causes such as lack of alignment of incentives, poor relationship management and lack of sufficient bargaining power in the relationship.

**(iv) Reputational Risk**

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)****48. FAIR VALUE MEASUREMENTS**

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy;
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
- (e) Movements of Level 3 instruments; and
- (f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

**(a) Valuation principles**

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Group has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

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

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

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**48. FAIR VALUE MEASUREMENTS (CONTD.)**

**(a) Valuation principles (Contd.)**

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

- Level 1 : Active Market – Quoted price

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

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

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, structured products, NCDs/NICDs, and over-the-counter ("OTC") derivatives.

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

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

Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**48. FAIR VALUE MEASUREMENTS (CONTD.)**

**(b) Valuation techniques**

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

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

**(ii) Financing receivables**

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

**(iii) Insurance/takaful receivables and payables**

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

**(iv) Investments**

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

**(v) Investment properties**

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**48. FAIR VALUE MEASUREMENTS (CONTD.)**

(c) Fair value measurements and classification within the fair value hierarchy

Group	Valuation technique using :			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	
<b><u>2017</u></b>				
<b><u>Assets</u></b>				
<b>Investment properties (excluding IPUC)</b>	-	-	588,224	588,224
<b>AFS financial investments</b>				
Equity securities	2,163,272	-	-	2,163,272
Malaysian government papers	19,901	717,156	-	737,057
Singapore government securities	37,695	-	-	37,695
Other debt securities, structured products NCDs and NICDs	937,673	6,607,455	-	7,545,128
Unit and property trust funds	93,424	-	-	93,424
<b>Financial investments at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Malaysian government papers	-	381,084	-	381,084
Singapore government securities	364,461	-	-	364,461
Other debt securities, structured products NCDs and NICDs	585,879	11,494,496	-	12,080,375
<b>(ii) Held-for-trading (HFT)</b>				
Equity securities	969,222	-	-	969,222
Malaysian government papers	-	92,762	-	92,762
Other debt securities, structured products and NCDs	-	263,458	-	263,458
Unit and property trust funds	53,539	-	-	53,539
Derivative assets	-	12,733	-	12,733
<b>Total assets</b>	<b>5,225,066</b>	<b>19,569,144</b>	<b>588,224</b>	<b>25,382,434</b>
<b><u>Liabilities</u></b>				
Derivative liabilities	-	(25,806)	-	(25,806)
<b>Total liabilities</b>	<b>-</b>	<b>(25,806)</b>	<b>-</b>	<b>(25,806)</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**48. FAIR VALUE MEASUREMENTS (CONTD.)**

**(c) Fair value measurements and classification within the fair value hierarchy (Contd.)**

Group	Valuation technique using :			Total RM'000
	Level 1	Level 2	Level 3	
<u>2016</u>	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	
<b><u>Assets</u></b>				
<b>Investment properties (excluding IPUC)</b>	-	-	678,179	678,179
<b>AFS financial investments</b>				
Equity securities	1,988,695	-	-	1,988,695
Malaysian government papers	-	896,190	-	896,190
Singapore government securities	-	34,776	-	34,776
Other debt securities, structured products				
NCDs and NICDs	170,027	5,878,317	108,767	6,157,111
Unit and property trust funds	205,732	-	-	205,732
<b>Financial investments at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Malaysian government papers	-	417,516	-	417,516
Singapore government securities	-	102,848	-	102,848
Other debt securities, structured products				
NCDs and NICDs	213,593	11,716,389	80,813	12,010,795
<b>(ii) Held-for-trading (HFT)</b>				
Equity securities	687,739	-	-	687,739
Malaysian government papers	-	66,508	-	66,508
Other debt securities, structured products and NCDs	-	287,804	-	287,804
Unit and property trust funds	20,031	-	-	20,031
Derivative assets	-	56	-	56
<b>Total assets</b>	<b>3,285,817</b>	<b>19,400,404</b>	<b>867,759</b>	<b>23,553,980</b>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**48. FAIR VALUE MEASUREMENTS (CONTD.)**

**(c) Fair value measurements and classification within the fair value hierarchy (Contd.)**

Group	Valuation technique using :			Total RM'000
	Level 1	Level 2	Level 3	
<u>2016 (Contd.)</u>	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	
<b><u>Liabilities</u></b>				
Derivative liabilities	-	(64,204)	-	(64,204)
<b>Total liabilities</b>	-	(64,204)	-	(64,204)
<b>Company</b>				
<b><u>2017</u></b>				
<b><u>Assets</u></b>				
<b>AFS financial investments</b>				
Unit and property trust funds	-	-	-	-
<b>Total assets</b>	-	-	-	-
<b><u>2016</u></b>				
<b><u>Assets</u></b>				
<b>AFS financial investments</b>				
Unit and property trust funds	102,311	-	-	102,311
<b>Total assets</b>	102,311	-	-	102,311

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

Assets and liabilities of the Group and the Company are recognised in the financial statements on a recurring basis. The Group and the Company determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfer between Level 1 and Level 2 for the Group and the Company during the financial year ended 31 December 2017.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**48. FAIR VALUE MEASUREMENTS (CONTD.)**

**(e) Movements of Level 3 instruments**

**Group**

**2017**

	<b>Financial instruments measured at fair value</b>			
	<b>Investment properties</b>	<b>AFS</b>	<b>Designated at FVTPL</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 1 January 2017	678,179	108,766	80,814	867,759
Recognised in income statement:				
Realised losses	-	4,761	3,540	8,301
Fair value gains	1,935	-	(21,754)	(19,819)
Recognised in other comprehensive income as fair value gains	-	(29,277)	-	(29,277)
Disposals	(91,890)	(84,250)	(62,600)	(238,740)
As at 31 December 2017	<u>588,224</u>	<u>-</u>	<u>-</u>	<u>588,224</u>
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>1,935</u>	<u>4,761</u>	<u>(18,214)</u>	<u>(11,518)</u>
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	<u>-</u>	<u>(29,277)</u>	<u>-</u>	<u>(29,277)</u>

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**48. FAIR VALUE MEASUREMENTS (CONTD.)**

**(e) Movements of Level 3 instruments (Contd.)**

**Group (Contd.)**

**2016**

	Financial instruments measured at fair value			
	Investment properties RM'000	AFS RM'000	Designated at FVTPL RM'000	Total RM'000
As at 1 January 2016	669,255	109,628	81,455	860,338
Recognised in income statement:				
Realised losses	-	502	372	874
Fair value gains	8,924	-	426	9,350
Recognised in other comprehensive income as fair value gains	-	572	-	572
Disposals	-	(1,936)	(1,439)	(3,375)
As at 31 December 2016	<u>678,179</u>	<u>108,766</u>	<u>80,814</u>	<u>867,759</u>
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>8,924</u>	<u>502</u>	<u>798</u>	<u>10,224</u>
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	<u>-</u>	<u>572</u>	<u>-</u>	<u>572</u>

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

The Group's exposure to financial instruments measured with valuation techniques using significant unobservable inputs comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**49. SIGNIFICANT EVENT**

**(a) Establishment of new subsidiaries, Etiqa General Takaful Berhad ("EGTB") and Etiqa Life Insurance Berhad ("ELIB")**

On 18 July 2017 and 19 July 2017, MAHB established two (2) wholly owned subsidiaries, EGTB and ELIB with share capital of RM1.00 being the subscription of one (1) ordinary share respectively.

Subsequently, EGTB increased its share capital from RM1.00 to RM870,000,000 being the subscription of 869,999,999 ordinary shares on 20 December 2017 while ELIB increased its share capital from RM1.00 to RM100,000,000 being the subscription of 99,999,999 ordinary shares on 26 December 2017.

**(b) Etiqa General Insurance Berhad ("EGIB") - Compulsory acquisition of Investment Land**

On 17 November 2017, EGIB has received the Notice of Award and Offer of Compensation from Land Administrator for its land located at 1079 Section 13, Bandaraya Shah Alam. The compulsory acquisition was accorded for the proposed development of Rail Transit Line from Bandar Utama to Johan Setia, Klang which was launched on 24 August 2016. The compensation awarded was RM178,250,993 and a realised gain amounting to RM75,595,320 was recognised in profit or loss as disclosed in Note 28.

**50. SUBSEQUENT EVENTS**

**Conversion of Composite Licences to Single Licences ("Licence Split")**

According to the Financial Services Acts ("FSA") and Islamic Financial Services Acts ("IFSA") introduced in 2013, a licensed Insurer and a licensed Takaful Operator can no longer operate as composite licence. This reference can be made to Section 16(1) in FSA/IFSA, in which it prohibits a licensed insurer/licensed Takaful Operator to carry on a composite licence. A licensed insurer/licensed Takaful Operator must only carry a single licence on either a Life/Family Takaful business or a General Insurance/Takaful business.

A composite licensed Insurer and a composite Takaful Operator are expected to complete the conversion exercise and operate under single licence latest by 1 July 2018; as stated in Bank Negara Malaysia ("BNM")'s Conversion to Single Insurance or Takaful Business Guideline issued on 15 February 2016.

On 10 August 2016, Etiqa Insurance Berhad ("EIB") Board approved the Management proposal to retain the general insurance business in the existing licensed company while the Life insurance business will be carved out and transferred to a new wholly owned company set up by MAHB. On the same date, Etiqa Takaful Berhad ("ETB") Board approved the Management proposal to retain the Family Takaful business in the existing licensed company while the General Takaful will be carved out and transferred to a new wholly owned company set up by MAHB. Both transferred businesses are vested with court vesting orders.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**

**50. SUBSEQUENT EVENTS (CONTD.)**

**Conversion of Composite Licences to Single Licences (“Licence Split”) (Contd.)**

On 15 August 2016, the Maybank Ageas Holdings Berhad’s (“MAHB”) Board approved the decisions made by EIB Board and ETB Board in paragraph above.

On 24 February 2017, MAHB received the consent from BNM to use the word “Insurance” and “Takaful” in the proposed subsidiaries’ names as below:

- (i) Etiqa General Insurance Berhad (“EGIB”)
- (ii) Etiqa Family Takaful Berhad (“EFTB”)
- (iii) Etiqa General Takaful Berhad (“EGTB”)
- (iv) Etiqa Life Insurance Berhad (“ELIB”)

Thereafter, EGTB and ELIB were incorporated on 18 July 2017 and 19 July 2017 respectively.

The Ministry of Finance (“MOF”) through BNM’s letter dated 7 August 2017 (“BNM’s Letter”) has granted in principle, the four (4) single licences, to EGIB, EFTB, EGTB and ELIB. The MOF also approved the shareholding structure of which the 4 licencees will be wholly owned by MAHB.

On 19 October 2017, the High Court of Malaya made an order sanctioning the scheme of transfers for ETB to transfer the General Takaful business to EGTB and for EIB to transfer the Life insurance business to ELIB. Both schemes are to take effect on 1 January 2018 or such other date as determined by the BNM being the date of the licence.

In compliance with the requirement made in the BNM’s Letter, ETB and EIB have both surrendered their composite licences in exchange for the issuance of four (4) single licences to EFTB (to carry out Family Takaful business), EGTB (to carry out General Takaful business), EGIB (to carry out General Insurance business), ELIB (to carry out Life Insurance business) respectively; effective on 1 January 2018.

On 28 December 2017, BNM released the four (4) single licences to MAHB.

On 1 January 2018, the License Split was successfully completed. Subsequently, EIB and ETB were renamed from EIB to EGIB and ETB to EFTB respectively.

**51. CAPITAL MANAGEMENT**

The Company is currently not subject to externally imposed capital requirements. Internally, capital is managed in accordance with the aim to provide adequate returns to its shareholders without resulting in deterioration of its current capital position.

The capital of the Group is also managed in accordance with this aim, subject as well to the external requirements imposed on its subsidiaries by the various regulators as disclosed in Note 7 to the financial statements.

**MAYBANK AGEAS HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**52. INSURANCE FUNDS**

The Group's statements of financial position and Income Statements have been further analysed by funds.

The Life and Family Takaful insurance businesses offer a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products. The General Insurance and General Takaful businesses offer general insurance/takaful products which include Motor, Fire, Marine, Aviation and Transit ("MAT") and Miscellaneous products.

**STATEMENTS OF FINANCIAL POSITION BY FUNDS**  
**AS AT 31 DECEMBER 2017**

	Total		* Consolidation elimination		Shareholders' and General Funds		Life Fund		General Takaful Fund		Family Takaful Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets:</b>												
Property, plant and equipment	123,331	129,132			47,789	51,593	75,542	77,539	-	-	-	-
Investment properties	749,432	754,870			113,723	96,329	635,709	658,541	-	-	-	-
Prepaid land lease payments	18,557	18,965			7,133	7,360	11,424	11,605	-	-	-	-
Intangible assets	83,730	71,876			50,756	49,195	32,974	22,681	-	-	-	-
Investment in associates	1,238	1,238			1,238	1,238	-	-	-	-	-	-
Investments	27,152,672	25,719,774	(25,233)	(23,373)	4,982,632	4,948,409	10,794,727	9,815,636	1,697,348	1,760,659	9,703,198	9,218,443
Financing receivables	257,778	266,738			48,981	53,107	208,797	213,631	-	-	-	-
Reinsurance assets	3,082,373	3,701,131			2,700,648	3,380,423	40,472	28,860	262,168	242,173	79,085	49,675
Insurance receivables	615,300	437,524			402,550	260,669	33,458	26,758	100,620	65,101	78,672	84,996
Other receivables	860,158	360,027			314,684	101,389	269,394	142,455	15,897	15,260	260,183	100,923
Derivative assets	12,733	56			2,453	6	10,280	50	-	-	-	-
Deferred tax assets	9,789	8,958			4,534	4,956	3,473	3,471	88	(276)	1,694	807
Current tax assets	25,955	79,843			1,842	47,175	-	8,503	3,883	3,883	20,230	20,282
Cash and bank balances	411,832	377,340			126,672	106,447	205,782	130,353	33,959	69,694	45,419	70,846
<b>Total Assets</b>	<b>33,404,878</b>	<b>31,927,472</b>			<b>8,805,635</b>	<b>9,108,296</b>	<b>12,322,032</b>	<b>11,140,083</b>	<b>2,113,963</b>	<b>2,156,494</b>	<b>10,188,481</b>	<b>9,545,972</b>
<b>Equity and liabilities:</b>												
Share capital	660,866	252,005			660,866	252,005	-	-	-	-	-	-
Reserves	4,868,831	4,831,572	(4,233)	(2,373)	4,873,064	4,833,945	-	-	-	-	-	-
	5,529,697	5,083,577			5,533,930	5,085,950	-	-	-	-	-	-
<b>Liabilities:</b>												
Insurance/takaful contract liabilities	24,227,221	23,421,288	(21,000)	(21,000)	3,405,680	4,159,198	9,354,386	8,402,731	1,690,649	1,715,045	9,797,506	9,165,314
Subordinated obligations	800,000	800,000			800,000	800,000	-	-	-	-	-	-
Expense liabilities	517,710	526,978			517,710	526,978	-	-	-	-	-	-
Derivative liabilities	25,806	64,204			-	213	25,806	63,991	-	-	-	-
Deferred tax liabilities	630,356	618,789			541,281	555,580	96,234	68,950	(4,980)	(7,062)	(2,179)	1,321
Insurance payables	499,019	414,741			334,967	290,767	36,367	23,985	82,465	61,776	45,220	38,213
Other payables	1,156,229	986,586			(2,346,773)	(2,321,699)	2,809,239	2,580,426	345,829	386,735	347,934	341,124
Interest/profit payable on subordinated obligations	11,308	11,309			11,308	11,309	-	-	-	-	-	-
Current tax liabilities	7,532	-			7,532	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>27,875,181</b>	<b>26,843,895</b>			<b>3,271,705</b>	<b>4,022,346</b>	<b>12,322,032</b>	<b>11,140,083</b>	<b>2,113,963</b>	<b>2,156,494</b>	<b>10,188,481</b>	<b>9,545,972</b>
<b>Total equity and liabilities</b>	<b>33,404,878</b>	<b>31,927,472</b>			<b>8,805,635</b>	<b>9,108,296</b>	<b>12,322,032</b>	<b>11,140,083</b>	<b>2,113,963</b>	<b>2,156,494</b>	<b>10,188,481</b>	<b>9,545,972</b>

\* The consolidation elimination indicated the group inter-fund elimination.

**MAYBANK AGEAS HOLDINGS BERHAD**  
**(Incorporated in Malaysia)**
**52. INSURANCE FUNDS (CONTD.)**
**INCOME STATEMENTS/REVENUE ACCOUNT BY FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Total		Consolidation elimination		Shareholder Funds		General fund		Life Fund		General Takaful Fund		Family Takaful Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Operating revenue</b>	7,166,351	6,441,252	(1,772,981)	(823,135)	1,961,252	979,448	1,276,172	1,495,359	2,630,277	1,957,213	1,290,695	1,250,561	1,780,936	1,581,806
Gross earned premiums/contributions	5,966,158	5,481,504	(130)	(113)	-	-	1,243,115	1,610,398	2,152,609	1,506,899	1,225,432	1,180,095	1,345,132	1,184,225
Earned premiums/contributions ceded to reinsurers/retakaful	(918,691)	(1,183,464)	-	-	-	-	(708,533)	(1,014,198)	(24,010)	(21,703)	(123,117)	(94,905)	(63,031)	(52,658)
<b>Net earned premiums/contributions</b>	5,047,467	4,298,040	-	-	-	-	534,582	596,200	2,128,599	1,485,196	1,102,315	1,085,190	1,282,101	1,131,567
Fee and commission income	87,511	91,188	(664,195)	(611,841)	664,194	611,842	54,614	70,479	3,390	2,310	19,602	15,900	9,906	2,498
Investment income	1,214,131	1,114,731	-	-	188,403	156,427	39,928	41,490	477,666	450,314	72,331	68,919	435,803	397,581
Realised gains and losses	578,397	170,140	-	-	114,336	19,088	23,540	34,690	303,844	63,824	4,171	13,427	132,506	39,111
Fair value gains/(losses)	85,379	71,180	-	-	85	(1,758)	2,914	5,788	97,334	18,893	-	(369)	(14,954)	48,626
Other operating (expenses) /income, net	(144,604)	(1,902)	-	2,227	(14,219)	(10,021)	(424)	4,082	(104,312)	3,853	898	13,229	(26,547)	(15,272)
<b>Other revenue</b>	1,820,814	1,445,337	-	-	952,799	775,578	120,572	156,529	777,922	539,194	97,002	111,106	536,714	472,544
Gross benefits and claims paid	(3,644,317)	(3,973,170)	-	(2,227)	-	-	(864,554)	(969,911)	(1,248,403)	(1,656,044)	(768,080)	(610,410)	(763,280)	(734,578)
Claims ceded to reinsurers	707,540	725,176	-	-	-	-	564,548	653,927	12,848	17,130	94,916	29,524	35,228	24,595
Gross change in contract/certificate liabilities	(1,055,174)	(651,691)	-	-	-	-	740,005	(104,742)	(1,029,473)	179,040	(66,749)	(189,514)	(698,957)	(536,475)
Change in contract/certificate liabilities ceded to reinsurers/retakaful	(624,803)	228,380	-	-	-	-	(667,603)	179,209	11,808	5,690	1,582	29,935	29,410	13,546
<b>Net benefits and claims</b>	(4,616,754)	(3,671,305)	-	-	-	-	(227,604)	(241,517)	(2,253,220)	(1,454,184)	(738,331)	(740,465)	(1,397,599)	(1,232,912)
Management expenses	(710,318)	(668,532)	130	113	(315,263)	(296,780)	(188,080)	(183,971)	(180,505)	(156,733)	-	(1,031)	(26,600)	(30,130)
Reimbursement of shared services	17,159	10,148	-	-	17,159	10,148	-	-	-	-	-	-	-	-
Change in expense liabilities	9,268	(56,447)	-	-	9,268	(56,447)	-	-	-	-	-	-	-	-
Fee and commission expenses	(490,960)	(468,781)	664,195	611,841	(238,623)	(228,510)	(99,075)	(111,957)	(151,525)	(125,893)	(370,181)	(351,836)	(295,751)	(262,426)
Interest on subordinated obligations	(34,210)	(34,240)	-	-	(34,210)	(34,240)	-	-	-	-	-	-	-	-
Tax borne by policyholders/participants	(69,292)	(43,953)	-	-	-	-	-	-	(71,583)	(57,940)	594	5,128	1,697	8,859
<b>Other expenses</b>	(1,278,353)	(1,261,805)	-	-	(561,669)	(605,829)	(287,155)	(295,928)	(403,613)	(340,566)	(369,587)	(347,739)	(320,654)	(283,697)
<b>Profit before tax before surplus transfer from Insurance and Takaful funds</b>	973,174	810,267	-	-	391,130	169,749	140,395	215,284	249,688	229,640	91,399	108,092	100,562	87,502
<b>Surplus transfer from:</b>														
- General Fund	-	-	-	-	109,659	166,373	(109,659)	(166,373)	-	-	-	-	-	-
- Life Par Fund	-	-	-	-	25,720	5,287	-	-	(25,720)	(5,287)	-	-	-	-
- Life Non Par Fund	-	-	-	-	223,968	224,353	-	-	(223,968)	(224,353)	-	-	-	-
- General Takaful Fund	-	-	-	-	91,399	108,092	-	-	-	-	(91,399)	(108,092)	-	-
- Family Fund	-	-	-	-	100,562	87,502	-	-	-	-	-	-	(100,562)	(87,502)
<b>Profit before tax after surplus transfer from Insurance and Takaful funds</b>	973,174	810,267	-	-	942,438	761,356	30,736	48,911	-	-	-	-	-	-
Taxation	(234,620)	(201,237)	-	-	(203,884)	(152,326)	(30,736)	(48,911)	-	-	-	-	-	-
Zakat	(3,719)	(3,457)	-	-	(3,719)	(3,457)	-	-	-	-	-	-	-	-
<b>Net profit for the year</b>	734,835	605,573	-	-	734,835	605,573	-	-	-	-	-	-	-	-