Etiqa General Insurance Berhad
(9557 T)
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

Directors' Report, Statement of Corporate Governance and Audited Financial Statements
31 December 2017

9557 T

ETIQA GENERAL INSURANCE BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of general insurance, life insurance and investment-linked businesses. There have been no significant changes in the nature of the principal activities during the financial year.

CHANGE OF NAME

On 1 January 2018, the Maybank Ageas Holdings Berhad ("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 49 to the financial statements. Consequently, the Company was renamed to Etiqa General Insurance Berhad, and will be principally engaged in the underwriting of general insurance business.

RESULTS

	RM'000
Net profit for the financial year	
- from continuing operations	177,288
- from discontinued operation	188,888
	366,176

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

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

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DIVIDENDS

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

	RM'000
In respect of financial year ended 31 December 2016, final dividend of: - 111.73 sen per share, single-tier tax exempt dividend on 152,151,399 ordinary shares	169,999

The final dividend was declared on 3 April 2017 and paid on 19 September 2017.

In respect of financial year ended 31 December 2017, interim dividend of: - 381.20 sen per share, single-tier tax exempt dividend on 152,151,399 ordinary shares	580,001

The interim dividend was declared on 14 September 2017 and paid on 20 December 2017.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. 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)
Philippe Pol Arthur Latour (Vice Chairman)
Dato' Johan Ariffin
Loh Lee Soon
Frank J.G Van Kempen
Koh Heng Kong
Nora Abd. Manaf (appointed on 1 January 2017)
Wong Pakshong Kat Jeong Colin Stewart
(appointed on 1 September 2017, resigned on 1 January 2018)

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DIRECTORS (CONTD.)

Pursuant to Article 98 of the Company's Constitution, Datuk R.Karunakaran and Koh Heng Kong shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than 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 any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Notes 33 and 41 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INDEMNITY

The Company maintained a Directors' and Officers' Liability ("D&O") 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

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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				
	At	Issued pursuant to			At
	1.1.2017	RSU	DRP*	Sold	31.12.2017
Direct interest:					
Nora Abd. Manaf[1]	-	71,496	-	(71,496)	-
Dato' Johan Ariffin	291,409	-	13,753	-	305,162
Indirect interest:					
Loh Lee Soon[2]	1,000	-	-	-	1,000

(1) Appointed as Director on 1 January 2017
(2) Held through Mayban Nominee Tempatan

*DRP = Dividend Reinvestment Plan

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

		Number of share option from ESOS over ordinary shares of RM1.00 each			
	Original Exercise Price RM	Granted	Vested as at 1.1.2017	Exercised	Vested as at 31.12.2017
Nora Abd. Manaf	8.71	775,000	775,000	(775,000)	-

		Number of RSU of ordinary shares of RM1.00 each				
	Grant date	Granted as at 1.1.2017	Granted as at 31.1.2017	Vested during the financial year	Not vested during the financial year	Outstanding as at 31.12.2017
Nora Abd. Manaf	30.04.2014	75,000	75,000	(71,496)	(3,504)	-

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance.

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FINANCIAL HOLDING COMPANY

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

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

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

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and

(iii) to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") for Insurers issued by BNM.

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

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

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

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

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONTD.)

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

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

SIGNIFICANT EVENT

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

SUBSEQUENT EVENT

Subsequent events are as disclosed in Note 49 to the financial statements.

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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 22 February 2018.

DATUK R.KARUNAKARAN

LOH LEE SOON

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STATEMENT OF CORPORATE GOVERNANCE

(1) INTRODUCTION

The Directors and 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 Bank Negara Malaysia ("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 its duties, the Board is equally responsible to ensure compliance with the Financial Services Act 2013 ("FSA") 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.

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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(a) **Board Responsibilities (Contd.)**

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

	Number of Board meetings attended	%
Datuk R.Karunakaran	9/9	100
Philippe Pol Arthur Latour	8/9	89
Dato' Johan Ariffin	9/9	100
Loh Lee Soon	9/9	100
Frank J.G Van Kempen	9/9	100
Koh Heng Kong	9/9	100
Nora Abd. Manaf	8/9	89
Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 September 2017 resigned on 1 January 2018)	3/3	100

The Board met 9 times during the year.

Directors Profile

(i) **Datuk Karownakaran @ Karunakaran A/L Ramasamy (Datuk R. Karunakaran) Independent Non-Executive Director (Chairman)**

Datuk R. Karunakaran was appointed as Director of Etiqa General Insurance Berhad ("EGIB") (formerly known as Etiqa Insurance Berhad ("EIB")) on 16 November 2010 and was subsequently re-designated as Chairman on 1 March 2016.

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.

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

(a) Board Responsibilities (Contd.)

Directors Profile (Contd.)

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

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 Maybank Ageas Holdings Berhad ("MAHB"), Etiqa Life Insurance Berhad ("ELIB") and Etiqa International Holdings Sdn Bhd ("EIHSB") as well as Director of MBB. 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. Philippe Pol Arthur Latour (Mr. Philippe Latour)
Non-Independent Non-Executive Director (Vice Chairman)

Mr. Philippe Latour was appointed as Vice Chairman of EGIB (formerly known as EIB) on 1 July 2016.

Mr. Philippe Latour is presently the Chief Financial Officer ("CFO") of Ageas Asia, since July 2014. He joined Ageas Group (formerly known as Fortis Group) in March 1997. He has 6.5 years working experience in CFO functions in insurance and 6 years experience as Director of Equity and Merger and Acquisition ("M&A") and Financial Officer in Ageas Group. Mr. Philippe Latour started his career in 1984 with Chase Manhattan Bank in London where he served until 1989. In 1990, he joined Cobepa (Paribas Group) in Brussels as Financial Advisor in Private Equity and Corporate Finance advisory within Cobepa, investment holding and merchant banking arm of Paribas in Belgium.

At present, Mr. Philippe Latour holds directorships in ELIB, Etiqa General Takaful Berhad ("EGTB"), Etiqa Family Takaful Berhad ("EFTB") (formerly known as Etiqa Takaful Berhad ("ETB")), Ageas Insurance Company (Asia) Limited, Muang Thai Life Assurance Public Company Limited, China Taiping Asset Management Co. Ltd and IDBI Federal Life Insurance Co. Ltd.

He is also currently a member of Investment Committee and MAHB Board Oversight Committee for Information Technology.

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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(a) **Board Responsibilities (Contd.)**

Directors Profile (Contd.)

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

Dato' Johan was appointed as Director of EGIB (formerly known as EIB) on 2 March 2010.

Dato' Johan started his career in the 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 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 MBB, Maybank Cambodia Plc, MAHB, EGTB, ELIB, EFTB (formerly known as ETB) and EIHSB.

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.

(iv) **Mr. Loh Lee Soon (Mr. Loh)**
Independent Non-Executive Director

Mr. Loh was first appointed as Director of EGIB (formerly known as EIB) on 23 December 2010.

Mr. Loh has more than thirty five (35) years experience in the professional accounting, finance, and management consulting fields, in the United Kingdom and South East Asia. Mr. Loh started his career with Peat Marwick Mitchell & Co., in the UK as an auditor from 1974 until 1982. Thereafter, he established his auditing and information technology consultancy firm in Malaysia in 1984.

STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(a) Board Responsibilities (Contd.)

Directors Profile (Contd.)

(iv) Mr. Loh Lee Soon (Mr. Loh)
Independent Non-Executive Director (Contd.)

He has worked for a number of major Malaysian corporations, like KPMG Consulting, Oracle Corporation Malaysia and UEM Group, specialising in information technology and management consulting.

His current directorships within the Maybank Group are as Director of Maybank Asset Management Group Berhad, Maybank Asset Management Singapore Pte Ltd and ELIB. He also sits on the Board of a listed company, Scicom (MSC) Berhad.

He is the Chairman of the Audit Committee of the Board of MAHB Group and Board Oversight Committee for Information Technology as well as a member of the Board Oversight Committee of Proposed Bangsar Land Development.

(v) Puan Nora Abd. Manaf (Puan Nora Manaf)
Executive Director

Puan Nora Manaf was appointed as Director of EGIB (formerly known as EIB) on 1 January 2017. She is also a Director of ELIB since 1 January 2018.

Puan Nora Manaf is currently the Chief Human Capital Officer of Maybank Group since September 2008.

Puan Nora Manaf is actively engaged in the country's financial and business employers' circles. She is the Chairman of the Malayan Commercial Banks' Association, Chairman of the Human Resource Networking Group under the sponsorship of Asian Institute of Chartered Bankers ("AICB") and BNM and Vice-President and Council Member of the Malaysian Employers Federation. She is also a Council Member of the country's National Labour Advisory Council, a member of the Advisory Committee for UUM Master of Science (Finance), Advisory Council Member (Financial Services Sector) under the Yayasan Peneraju Pendidikan Bumiputera, a member of the Human Resource and Training Committee appointed by the Chairman of the Malaysia Competition Commission Board and a member of the Board of Examiners for the AICB.

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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(a) Board Responsibilities (Contd.)

Directors Profile (Contd.)

(vi) Mr. Frank J.G. Van Kempen (Mr. Van Kempen)
Non-Independent Non-Executive Director

Mr. Van Kempen was first appointed as Director of EGIB (formerly known as EIB) on 17 July 2012.

Mr. Van Kempen is presently the Chief Commercial Officer of Ageas Asia, Hong Kong since 2013. He has worked at Ageas since January 2011. Prior to his service with Ageas Asia, Mr. Van Kempen was the Regional Director, Insurance Product Management of Prudential Asia Corporation, Hong Kong. He had served at ING before joining Prudential and held various senior line management positions with Profit and Loss responsibility in several business units and countries.

He has wide industry experience in life insurance, both individual and group (including pension plans) across multiple channels comprising of direct, bancassurance, tied agency and broker dealers. He also has extensive experience in emerging and developing life insurance markets, both in Central Europe and Asia, and has been involved (in both design and implementation) of setting up new insurance entities in various markets. Besides his extensive life insurance experience, he has also been involved in general insurance, like in his early years as an actuary and in the later years at Ageas, where he is now responsible for the regional general insurance development.

Mr. Van Kempen's other mandates within Ageas includes as Director of Ageas Asia Services Limited, East West Ageas Life Insurance Corporation and Muang Thai Insurance Public Company Limited. His current directorship in companies within MAHB Group includes ELIB, Etiqa Offshore Insurance (L) Ltd ("EOIL"), Etiqa Life International (L) Ltd ("ELIL") and Etiqa Insurance Pte Ltd ("EIPL").

He is also Chairman of the Investment Committee of EIPL. He was also member of Board Oversight Committee on Re-organisation of Entities pursuant to Financial Services Act 2013 and Islamic Financial Services Act 2013 which was disbanded on 31 December 2017 upon completion of the regulatory licenses split of the Companies.

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

(a) Board Responsibilities (Contd.)

Directors Profile (Contd.)

(vii) Mr. Koh Heng Kong (Mr. Koh)
Independent Non-Executive Director

Mr. Koh was first appointed as Director of EGIB (formerly known as EIB) on 23 September 2013.

Mr. Koh was previously the Managing Director/Chief Executive Officer of RHB Insurance Berhad (2000-2011) and the Chairman of National Insurance Association of Malaysia (2008-2011). He is also a Director of EGTB.

Mr. Koh is a Chairman of Risk Management Committee and a member of Audit Committee of the Board of MAHB Group. He was also a member of Board Oversight Committee on Re-organisation of Entities pursuant to FSA 2013 and Islamic Financial Services Act 2013 which was disbanded on 31 December 2017 upon completion of the regulatory licenses split of the Companies.

(b) 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, 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/International Centre in Leadership for Finance ("ICLIF") /FIDE Forum
- Efficient Inefficient: Making Boards Effective in a Changing World
- Current Issues in Corporate Governance
- FIDE Core Programme Module A
- FIDE Core Programme Module B

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

(b) Directors Training (Contd.)

Maybank/Etiqa Internal Trainings
- Etiqa Annual Risk Workshop 2017
- International Financial Reporting Standard ("IFRS") Update Session
- Compliance Training for Board Members and Senior Management

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
- 8^{th} SC-OCIS Roundtable: 'Creating Shared Values through Risk Sharing'
- The new Companies Act 2016: A new Playbook for Directors
- Bonds, Loans & Sukuk Middle East
- Fintech – Business Opportunity or Disruptor
- GST Fraud and Evasion
- The Innovation to manage Risk and Compliance
- When Machines provide Investment Management Advice

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.

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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(c) 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"), and Audit Committee of the Board ("ACB"). 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. MBB) as part of its governance structure.

(i) 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.

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

	Number of ACB meetings attended	%
Loh Lee Soon (Chairman) Independent Non-Executive Director	9/9	100
Gary Lee Crist Non-Independent Non-Executive Director	9/9	100
Koh Heng Kong Independent Non-Executive Director	8/9	89
Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 September 2017, resigned on 1 January 2018) Independent Non-Executive Director	1/1	100

The AC met 9 times during the year.

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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(c) Board Committees Responsibilities and Composition (Contd.)

(ii) Risk Management Committee ("RMC")

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

The establishment of 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 and 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.

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:

	Number of RMC meetings attended	%
Koh Heng Kong (Chairman) Independent Non-Executive Director	9/10	90
Gary Lee Crist Non-Independent Non-Executive Director	10/10	100
Wong Pakshong Kat Jeong Colin Stewart (appointed on 1 September 2017 resigned on 1 January 2018) Independent Non-Executive Director	3/3	100
Loh Lee Soon Independent Non-Executive Director	7/7	100

The RMC met 10 times during the year.

STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(c) Board Committees Responsibilities and Composition (Contd.)

(iii) Nomination and Remuneration Committee ("NRC")

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

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

In 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.

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

	Number of NRC meetings attended	%
Datuk R.Karunakaran (appointed as Chairman on 7 April 2017) Independent Non-Executive Director	19/19	100
Dato' Dr Tan Tat Wai (step down as Acting Chairman on 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 on 3 January 2017) Independent Non-Executive Director	19/19	100
Cheng Kee Check Non-Independent Non-Executive Director	19/19	100

The NRC met 19 times during the year.

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

(c) Board Committees Responsibilities and Composition (Contd.)

(iv) Investment Committee ("IC")

Upon the granting of single licence by BNM on 1 January 2018, the IC is transferred from EGIB (formerly known as EIB) level to MAHB level.

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.

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

	Number of IC meetings attended	%
Dato' Amirul Feisal Wan Zahir (appointed as Chairman on 1 September 2017) Executive Director	1/1	100
Datuk Abdul Farid bin Alias (resigned as Chairman on 1 September 2017) Executive Director	3/3	100
Dato' Mohamed Rafique Merican Non-Independent Non-Executive Director	3/4	75
Philippe Pol Arthur Latour Non-Independent Non-Executive Director	3/4	75

The IC met 4 times during the year.

STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(c) Board Committees Responsibilities and Composition (Contd.)

(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.

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

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

The BOC IT met 9 times during the year.

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(c) Board Committees Responsibilities and Composition (Contd.)

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

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

Upon the granting of single licence by BNM on 1 January 2018, the BOC Land is transferred from EGIB (formerly known as EIB) level to ELIB level.

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

	Number of BOC Land meetings attended	%
Dato' Johan Ariffin (Chairman) Independent Non-Executive Director	8/8	100
Loh Lee Soon Independent Non-Executive Director	8/8	100
Muhammad Fuad Hassan Head, Group Property, Maybank	7/8	88
Kamaludin Ahmad Chief Executive Officer, MAHB	8/8	100

The BOC Land met 8 times during the year.

ETIQA GENERAL INSURANCE BERHAD
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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

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

(c) Board Committees Responsibilities and Composition (Contd.)

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

The BOC FSA & IFSA carries an oversight function of the re-organisation of EGIB and EFTB under the FSA and IFSA and is responsible in reviewing the MAHB Group's functional structure to ensure compliance with the FSA and the IFSA in a manner that would promote growth sustainability.

The BOC FSA & IFSA reports to the Boards of EGIB (formerly known as EIB) and EFTB (formerly known as ETB) respectively.

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

	Number of BOC FSA and IFSA meetings attended	%
Zainal Abidin Jamal (Chairman) Non-Independent Non-Executive Director	14/14	100
Frank J.G Van Kempen Non-Independent Non-Executive Director	11/14	79
Koh Heng Kong Independent Non-Executive Director	14/14	100

The BOC FSA and IFSA met 14 times during the year.

On completion of the said companies' regulatory licenses split on 1 January 2018, the BOC FSA & IFSA was disbanded accordingly.

STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

(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.

(4) QUALITATIVE DISCLOSURE

(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 MBB 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 the identified 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.

STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

(5) QUANTITATIVE DISCLOSURE

(a) Non-Executive Directors' Remuneration

The Non-Executive Directors' Remuneration are as follows:

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

(b) Remuneration Policy in respect of Officers of the Company

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 Company meet global best practices, making the Company worthy of the recognitions that the Company have been receiving locally, regionally and some globally, on our people management and development infrastructure and practices, the following policies are currently in place:

(i) Incorporation of Risk-adjusted performance measures in individual Key Performance Indicators ("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.

ETIQA GENERAL INSURANCE BERHAD
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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

(5) QUANTITATIVE DISCLOSURE (CONTD.)

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

MBB'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.

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

Balanced Scorecard	• Maybank Group inculcate pay-for-performance culture by ensuring a close linkage between our compensation and performance outcome as measured through the balanced scorecard. • Current Balanced Scorecard approach covers both quantitative KPIs and Qualitative KPIs. We have also included risk-adjusted performance KPIs that is consistent with the level of risks undertaken / capital consumption in the generation of returns
Maybank Group Variable Bonus	▪ **Group Performance** • Bonus Funding is based on Group's ROE achievement and as a percentage of NPBT. ▪ **Business/Corporate Functions Performance** • Performance Measures: Balanced Scorecard approach • 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 ▪ **Individual performance** • Performance Measures: Balanced Scorecard approach • Distribution of bonus based on staff performance.
Long Term Incentive Plan	• Performance Restricted Share Units awards is subject to a three 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.

Senior Management

Senior Management for this purpose is defined as management staff reporting direct to the 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 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.

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
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STATEMENT OF CORPORATE GOVERNANCE (CONTD.)

(5) QUANTITATIVE DISCLOSURE (CONTD.)

Senior Management (Contd.)

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

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of Pax	RM	No. of Pax	Units
Material Risk Taker "Senior Management"				
Cash-based	2	1,345,661.62	nil	nil
Shares and share-linked instrument (ESOS etc)				
Others	nil			
Other Material Risk Taker "OMRT"				
Cash-based	4	1,657,427.52	nil	nil
Shares and share-linked instrument (ESOS etc)				
Others	nil			

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ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

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

We, Datuk R.Karunakaran and Loh Lee Soon, being two of the directors of Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 32 to 204 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 Company as at 31 December 2017 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2018.

DATUK R.KARUNAKARAN

LOH LEE SOON

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

I, Fukhairudin Mohd Yusof, being the officer primarily responsible for the financial management of Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 204 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 FUKHAIRUDIN MOHD YUSOF
at Kuala Lumpur in Wilayah Persekutuan
on 22 February 2018

FUKHAIRUDIN MOHD YUSOF

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
MALAYSIA

Before me,

Commissioner for Oaths

Bangsar Utama 1
Bangsar Utama,
59000 Kuala Lumpur.

EY
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Ernst & Young AF: 0039
GST Reg No: 001556430848
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

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

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) ("the Company"), which comprise the statement of financial position as at 31 December 2017, the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2017, and summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 204.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year ended 31 December 2017 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 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 Company and our auditors' report thereon.

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Independent auditors' report to the member of
Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) (Contd.)
(Incorporated in Malaysia)

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

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent auditors' report to the member of
Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) (Contd.)
(Incorporated in Malaysia)

Auditor's Responsibilities 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 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 of 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 ommissions, 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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Independent auditors' report to the member of
Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) (Contd.)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 226 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
22 February 2018

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ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Property, plant and equipment	3	46,456	112,942
Investment properties	4	112,734	753,885
Prepaid land lease payments	5	7,132	18,964
Intangible assets	6	40,886	61,789
Investment in associate	8	152	152
Investments	9	1,164,016	11,262,921
Financing receivables	11	30,672	248,266
Reinsurance assets	12	2,608,475	3,315,144
Insurance receivables	13	384,811	264,854
Other receivables	14	245,927	213,025
Derivative assets	15	606	-
Deferred tax asset, net	21	2,101	-
Current tax assets		812	51,545
Cash and bank balances		33,606	111,722
		4,678,386	16,415,209
Assets classified as held for sale	16	10,945,870	-
Total Assets		15,624,256	16,415,209
Equity and Liabilities:			
Share capital	17	169,879	152,151
Reserves	18	497,825	2,696,740
		667,704	2,848,891
Reserves directly associated with assets classified as held for sale	16	1,766,198	-
Total Equity		2,433,902	2,848,891
Liabilities			
Insurance contract liabilities	19	3,122,520	11,780,468
Subordinated obligation	20	500,000	500,000
Derivative liabilities	15	-	56,603
Deferred tax liabilities, net	21	-	586,137
Insurance payables	22	318,382	299,694
Other payables	23	59,661	333,296
Interest payable on subordinated obligation	20	10,119	10,120
		4,010,682	13,566,318
Liabilities directly associated with assets classified as held for sale	16	9,179,672	-
Total Liabilities		13,190,354	13,566,318
Total Equity and Liabilities		15,624,256	16,415,209

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

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Operating revenue	24	1,206,089	1,416,901
Gross earned premiums	25(a)	1,120,136	1,489,266
Earned premiums ceded to reinsurers	25(b)	(705,938)	(1,015,142)
Net earned premiums		414,198	474,124
Fee and commission income	26	57,294	73,932
Investment income	27	100,776	88,469
Realised gains	28	101,822	34,527
Fair value gains	29	886	4,257
Other operating expenses, net	30	(4,689)	(645)
Other revenue		256,089	200,540
Gross benefits and claims paid	31(a)	(784,843)	(889,062)
Claims ceded to reinsurers	31(b)	555,304	636,987
Gross change in contract liabilities	31(c)	727,337	(85,868)
Change in contract liabilities ceded to reinsurers	31(d)	(661,868)	152,892
Net benefits and claims		(164,070)	(185,051)
Management expenses	32	(158,110)	(155,770)
Fee and commission expenses	34	(80,188)	(93,413)
Interest on subordinated obligation		(20,650)	(20,643)
Other expenses		(258,948)	(269,826)
Profit before taxation from continuing operations		247,269	219,787
Taxation	35	(69,981)	(42,305)
Net profit for the year from continuing operations		177,288	177,482
Discontinued operations:			
Net profit for the year from discontinued operations	16	188,888	172,425
Net profit for the year		366,176	349,907
Earnings per share (sen) from continuing operations			
Basic	36	116.52	116.65
Earnings per share (sen) from discontinued operations			
Basic	36	124.15	113.32

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

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Net profit for the year		366,176	349,907
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to income statement			
Change in value of AFS financial assets, net			
- Fair value changes		10,249	16,804
- Transfer to profit or loss upon disposal	28	(26,009)	(7,196)
Tax effect relating to AFS financial assets	35	3,783	(2,314)
		(11,977)	7,294
Currency translation		(1,196)	1,278
Other comprehensive (loss)/income from continuing operations for the year, net of tax		(13,173)	8,572
Other comprehensive loss from discontinued operations for the year, net of tax	16	(17,992)	(4,774)
Total comprehensive income for the year		335,011	353,705
Comprising of:			
- Continuing operations		164,115	186,054
- Discontinued operations		170,896	167,651
		335,011	353,705

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

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	<---- Non-distributable				---->	Retained Earnings			
	Share Capital RM'000	Share Premium RM'000	Available-for-Sale Reserves RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-Par Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	Reserves of disposal group held for sale RM'000 (Note 16)	Total Equity RM'000
At 1 January 2017	152,151	17,728	22,225	11,647	14,843	1,719,083	911,214	2,630,297	-	2,848,891
Net profit for the year	-	-	-	-	-	163,596	202,580	366,176	-	366,176
Other comprehensive loss for the year	-	-	(29,969)	-	(1,196)	-	-	-	-	(31,165)
Total comprehensive income/(loss) for the year	-	-	(29,969)	-	(1,196)	163,596	202,580	366,176	-	335,011
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary[1]	-	-	-	-	-	(114,000)	114,000	-	-	-
Transfer to share capital (Note 2.5)	17,728	(17,728)	-	-	-	-	-	-	-	-
Transfer from revaluation reserves upon disposal	-	-	-	(10,574)	-	-	10,574	10,574	-	-
Dividend on ordinary shares (Note 37)	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Attributable to disposal group held for sale (Note 16)	-	-	2,481	-	-	(1,768,679)	-	(1,768,679)	1,766,198	-
At 31 December 2017	169,879	-	(5,263)	1,073	13,647	-	488,368	488,368	1,766,198	2,433,902
At 1 January 2016	152,151	17,728	19,705	11,647	13,565	1,546,328	934,141	2,480,469	-	2,695,265
Net profit for the year	-	-	-	-	-	172,755	177,152	349,907	-	349,907
Other comprehensive income for the year	-	-	2,520	-	1,278	-	-	-	-	3,798
Total comprehensive income for the year	-	-	2,520	-	1,278	172,755	177,152	349,907	-	353,705
Dividend on ordinary shares (Note 37)	-	-	-	-	-	-	(200,079)	(200,079)	-	(200,079)
At 31 December 2016	152,151	17,728	22,225	11,647	14,843	1,719,083	911,214	2,630,297	-	2,848,891

[1] In accordance with the Financial Services Act 2013, the unallocated surplus of the Non-Participating ("non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. The approved transfer from the non-Par fund unallocated surplus for the financial years ended 31 December 2017 and 31 December 2016 were RM150,000,000 and NIL (RM114,000,000 and NIL, net of tax at 24%) respectively.

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

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:		
- Continuing operations	247,269	219,787
- Discontinued operations (Note 16)	237,534	224,100
	484,803	443,887
Adjustments for:		
Taxation borne by policyholders	47,740	36,461
Depreciation of property, plant and equipment	9,841	9,610
Amortisation of intangible assets	8,377	6,431
Fair value gains on financial assets at FVTPL	(68,608)	(28,332)
Fair value gains on investment properties	(1,930)	(8,950)
Amortisation of prepaid land lease payments	408	303
Amortisation of premium on investments	5,061	8,935
Loss/(gain) on disposal of property, plant and equipment	6	(13)
Gain on disposal of investment properties	(75,819)	-
Net loss/(gain) on foreign exchange	55,099	(4,280)
Impairment losses/(reversal of impairment losses) on reinsurance assets	1,395	(2,894)
Reversal of impairment losses on insurance receivables	(3,195)	(9,407)
Bad debts written off	612	1,915
Impairment losses/(reversal of impairment losses) on other receivables	32	(36)
Impairment losses/(reversal of impairment losses) on financing receivables	4,530	(771)
Non cash items relating to discontinued operations		-
Net gain on disposal of investments	(271,718)	(65,141)
Gain on disposal of assets held for sale	-	(27,412)
Interest income	(486,426)	(468,211)
Interest expense	20,650	20,643
Net impairment losses on investments	24,765	24,064
Gross dividend income	(48,554)	(41,747)
Rental income	(40,337)	(48,288)
Loss from operations before changes in operating assets and liabilities	(333,268)	(153,233)
Changes in working capital:		
Decrease/(increase) in reinsurance assets	672,311	(40,086)
(Increase)/decrease in insurance receivables	(138,043)	67,422
(Increase)/decrease in other receivables	(277,777)	54,343
Decrease in financing receivables	4,267	8,223
Decrease in amounts due from related parties	287	235
Increase in other payables	79,904	31,778
Carried forward	7,681	(31,318)

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

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

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)		
Brought forward	7,681	(31,318)
Decrease in insurance contract liabilities	(414,290)	(571,255)
Increase/(decrease) in insurance payables	33,969	(56,404)
Decrease in LAR	462,153	361,634
Interest income received	489,877	457,251
Dividend income received	49,202	45,026
Rental income received	43,788	49,138
Currency translation reserve	(1,194)	1,278
Cash generated from operations	671,186	255,350
Tax paid	(112,161)	(80,109)
Net cash generated from operations	559,025	175,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	9,108,598	8,639,438
Purchase of investments	(8,891,685)	(8,523,870)
Proceeds from sale of property, plant and equipment	7	41
Proceeds from sale of investment properties	167,709	-
Proceeds from sale of intangible assets	34	-
Additions to IPUC	(84,517)	(31,034)
Purchase of property, plant and equipment	(7,277)	(9,671)
Purchase of intangible assets	(17,161)	(20,549)
Proceeds from disposal of asset held for sale	-	28,199
Net cash generated from investing activities	275,708	82,554
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(750,000)	(200,079)
Interest paid on subordinated obligation	(20,650)	(20,650)
Net cash used in financing activity	(770,650)	(220,729)
Net increase in cash and cash equivalents	64,083	37,066
Cash and cash equivalents at beginning of year	111,722	74,656
Attributable to disposal group held for sale (Note 16)	(142,199)	-
Cash and cash equivalents at end of year	33,606	111,722
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	33,606	38,434
Life insurance fund	-	73,288
	33,606	111,722

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

1. CORPORATE INFORMATION

The principal activities of the Company include the underwriting of general insurance, life insurance and investment-linked businesses. There have been no significant changes in the nature of the principal activities during the financial year.

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 49. Consequently, the Company was renamed to Etiqa General Insurance Berhad, and will be principally engaged in the underwriting of general insurance business.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of compliance

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

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

At the beginning of the current financial year, the Company has adopted those Amendments to MFRSs effective for the annual periods beginning on or after 1 January 2017 as disclosed in Note 2.3.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (Contd.)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 contract liabilities — Note 2.2 (xv)
- Life insurance contract liabilities — Note 2.2 (xvi)

The notes referred to above present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the general insurance and the life insurance liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 43.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(i) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The 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 Company and the cost of the item can be measured reliably.

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ii) Investment Properties

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Leases

(a) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(b) Finance Leases - The Company as Lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Leases (Contd.)

(c) Operating Leases - The Company as Lessor

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

(d) Operating Leases - The Company as Lessee

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

(iv) Intangible Assets

Intangible assets include software development costs and computer software. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Amortisation is charged to the profit or loss. Work-in-progress is also not depreciated as this asset is not available for use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Intangible Assets (Contd.)

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

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

(a) Software Development Costs

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

(b) Computer Software

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

(v) Investment In Associate

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

In the Company's financial statements, the investment in associate is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Financial Assets

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

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

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

(a) Financial Assets at FVTPL

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) 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. Financial assets classified in this category include financing receivables, advances and other receivables. The accounting policies with respect to insurance receivables and reinsurance assets are disclosed in Note 2.2(x) and Note 2.2(ix) respectively.

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

(c) AFS Financial Assets

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment

(a) Financial Assets

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

Insurance receivables

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment (Contd.)

(a) Financial Assets (Contd.)

Insurance receivables (Contd.)

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

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

AFS financial assets

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

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

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

Unquoted equity securities carried at cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment (Contd.)

(a) Financial Assets (Contd.)

Financing, loans and receivables

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

(b) Non-financial Assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ix) Reinsurance Assets

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

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

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

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

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

(x) Insurance Receivables

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xi) Cash and Cash Equivalents

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

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

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

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

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

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

(xiii) Equity Instruments

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

(xiv) Product Classification

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) General Insurance Contract Liabilities (Contd.)

(a) Claim Liabilities (Contd.)

Liabilities for outstanding claims are recognised upon notification by policyholders.

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

(b) Premium Liabilities

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

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

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

  The UPR 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 cargo and aviation cargo, and transit business;

  - 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 quaterly statement
    ii) 1/24th method for monthly statement

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) General Insurance Contract Liabilities (Contd.)

(b) Premium Liabilities (Contd.)

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

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

(xvi) Life Insurance Contract Liabilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) Life Insurance Contract Liabilities (Contd.)

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

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

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

(xvii) Financial Liabilities

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

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

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

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

Subsequent to initial recognition, subordinated obligation is recognised at amortised cost using the effective interest method. The subordinated obligation is classified as a current liability unless the Company has a conditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) Financial Liabilities (Contd.)

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

(xviii) Liability Adequacy Test

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

(xix) Insurance Payables

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

(xx) Offsetting of Financial Assets and Financial Liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxi) Premium Income

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

(a) General Insurance Business

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

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

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

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

(b) Life Insurance Business

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxii) Benefits and Claims Expenses

(a) General Insurance Business

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

(b) Life Insurance Business

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

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

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

- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

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

(xxiii) Commission Expenses and Acquisition Costs

(a) General Insurance Business

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

(b) Life Insurance Business

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxiv) Other Revenue Recognition

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

(a) Interest Income

Interest income is recognised using the effective interest method.

(b) Dividend Income

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

(c) Rental Income

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

(d) Management Fees

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

(xxv) Fee and Commission Income

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Employee Benefits

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

(c) Share-based Compensation

Employees' share option scheme ("ESOS")

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Employee Benefits (Contd.)

(c) Share-based Compensation (Contd.)

Restricted share units ("RSU")

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

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

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

(xxvii) Foreign Currencies

(a) Functional and Presentation Currency

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

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

(b) Foreign Currency Transactions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Foreign Currencies (Contd.)

(b) Foreign Currency Transactions (Contd.)

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

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

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

(c) Foreign Operations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Foreign Currencies (Contd.)

(c) Foreign Operations (Contd.)

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

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

	2017	2016
Singapore Dollar	3.03	3.01
Brunei Dollar	3.02	3.01

(xxviii) Income Tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxviii) Income Tax (Contd.)

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

2.3 Amendments to MFRS

At the beginning of the current financial year, 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)

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 Company's financial statements. The Company intend to adopt these standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
MFRS 2 *Share-based Payment - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)*	1 January 2018
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Applying MFRS 9 *Financial Instruments with MFRS 4 Insurance Contracts* (Amendments to MFRS 4)	1 January 2018
Transfer to Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle:	
(i) Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2018
(ii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2018
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3 *Business Combinations* and MFRS 11 Joint Arrangements	1 January 2019
(ii) Amendments to MFRS 112 *Income Tax*	1 January 2019
(iii) Amendments to MFRS 123 *Borrowing Costs*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS10) 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 MFRS128)	To be announced by MASB

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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.

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
• 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.	• 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. • 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).	• 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. • Equity instruments that were not elected for FVOCI will be measured at FVTPL.

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.

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 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 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 Performing	Stage 2 Under-performing	Stage 3 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

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 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 MBB 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.

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.)

MBB 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 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.

The Company 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 Company 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 Company 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.

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.)

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 Company'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 Company anticipates 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 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 Company's financial statements.

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 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.

MBB 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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 Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 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.

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 Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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 Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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.

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 17 *Insurance Contracts (Contd.)*

This new standard is effective for annual periods beginning on or after 1 January 2021, with comparative figures required. 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 Company 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.

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.

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 (Cont'd.)

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 Company does 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).

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.

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 Company does not anticipate significant impact to the financial statements upon adoption of the interpretation.

<u>Annual Improvements to MFRSs 2014-2016 Cycle</u>

(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 Company does 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 Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

<u>Annual Improvements to MFRSs 2015-2017 Cycle</u>

(i) 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 Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

Annual Improvements to MFRSs 2015-2017 Cycle (Contd.)

(ii) **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 Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

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 sharehoders, 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 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 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 RM17,727,528 share premium 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.

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT

2017	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipments RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
Cost							
At 1 January 2017	118,626	54,344	12,516	39,768	378	8,631	234,263
Additions	-	1,924	1,967	2,155	-	1,231	7,277
Disposal	-	(858)	(9)	-	-	-	(867)
Reclassification	-	138	1,345	1,912	-	(3,395)	-
Attributable to disposal group held for sale (Note 16)	(58,390)	(33,327)	(7,112)	(38,127)	-	(6,467)	(143,423)
At 31 December 2017	60,236	22,221	8,707	5,708	378	-	97,250
Accumulated Depreciation and Impairment Losses							
At 1 January 2017	40,485	47,084	8,327	25,206	219	-	121,321
Depreciation charge for the year	2,185	3,408	1,783	2,395	70	-	9,841
Disposal	-	(848)	(5)	-	-	-	(853)
Attributable to disposal group held for sale (Note 16)	(19,821)	(29,352)	(4,893)	(25,449)	-	-	(79,515)
At 31 December 2017	22,849	20,292	5,212	2,152	289	-	50,794
Analysed as:							
- Accumulated depreciation	20,838	20,292	5,212	2,152	289	-	48,783
- Accumulated allowance for impairment losses	2,011	-	-	-	-	-	2,011
	22,849	20,292	5,212	2,152	289	-	50,794
Net Book Value at 31 December 2017	37,387	1,929	3,495	3,556	89	-	46,456

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

2016	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipments RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
Cost							
At 1 January 2016	118,626	52,004	9,800	36,080	378	8,129	225,017
Additions	-	2,098	2,797	1,050	-	3,726	9,671
Disposal	-	(351)	(83)	-	-	-	(434)
Reclassification	-	586	-	2,638	-	(3,224)	-
Translation differences	-	7	2	-	-	-	9
At 31 December 2016	118,626	54,344	12,516	39,768	378	8,631	234,263
Accumulated Depreciation and Impairment Losses							
At 1 January 2016	38,300	43,507	6,880	23,284	149	-	112,120
Depreciation charge for the year	2,185	3,919	1,514	1,922	70	-	9,610
Disposal	-	(338)	(68)	-	-	-	(406)
Translation differences	-	(4)	1	-	-	-	(3)
At 31 December 2016	40,485	47,084	8,327	25,206	219	-	121,321
Analysed as:							
- Accumulated depreciation	38,474	47,084	8,327	25,206	219	-	119,310
- Accumulated allowance for impairment losses	2,011	-	-	-	-	-	2,011
	40,485	47,084	8,327	25,206	219	-	121,321
Net Book Value at 31 December 2016	78,141	7,260	4,189	14,562	159	8,631	112,942

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2017				
Cost				
At 1 January 2017	3,620	8,010	106,996	118,626
Attributable to disposal group held for sale	(800)	(1,305)	(56,285)	(58,390)
At 31 December 2017	2,820	6,705	50,711	60,236
Accumulated Depreciation and Impairment Losses				
At 1 January 2017	746	4,886	34,853	40,485
Depreciation charge for the year	-	45	2,140	2,185
Attributable to disposal group held for sale	(54)	(630)	(19,137)	(19,821)
At 31 December 2017	692	4,301	17,856	22,849
Analysed as:				
- Accumulated depreciation	-	3,191	17,856	21,047
- Accumulated allowance for impairment losses	692	1,110	-	1,802
	692	4,301	17,856	22,849
Net Book Value at 31 December 2017	2,128	2,404	32,855	37,387
2016				
Cost				
At 1 January 2016	3,620	8,010	106,996	118,626
Accumulated Depreciation and Impairment Losses				
At 1 January 2016	746	4,841	32,713	38,300
Depreciation charge for the year	-	45	2,140	2,185
At 31 December 2016	746	4,886	34,853	40,485
Analysed as:				
- 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
Net Book Value at 31 December 2016	2,874	3,124	72,143	78,141

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Investment property under construction ("IPUC")	Total
	<------- At valuation	-------->	At cost	
	RM'000	RM'000	RM'000	RM'000
2017				
At 1 January 2017	454,914	222,280	76,691	753,885
Addition	-	-	84,517	84,517
Disposal	-	(91,890)	-	(91,890)
Fair value adjustment	1,850	80	-	1,930
Attributable to disposal group held for sale (Note 16)	(346,400)	(128,100)	(161,208)	(635,708)
At 31 December 2017	110,364	2,370	-	112,734
2016				
At 1 January 2016	447,864	220,380	45,657	713,901
Addition	-	-	31,034	31,034
Fair value adjustment	7,050	1,900	-	8,950
At 31 December 2016	454,914	222,280	76,691	753,885

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

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

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

5. PREPAID LAND LEASE PAYMENTS

	2017 RM'000	2016 RM'000
Cost		
At 1 January	24,018	24,018
Attributable to disposal group held for sale (Note 16)	(14,000)	-
At 31 December	10,018	24,018
Accumulated amortisation and impairment losses		
At 1 January	5,054	4,751
Amortisation charge for the year	408	303
Attributable to disposal group held for sale (Note 16)	(2,576)	-
At 31 December	2,886	5,054
Analysed as:		
- Accumulated amortisation	2,709	4,877
- Accumulated allowance for impairment losses	177	177
	2,886	5,054
Net book value at 31 December	7,132	18,964

6. INTANGIBLE ASSETS

	Computer Software RM'000	Software Development Costs RM'000	Total RM'000
2017			
Cost			
At 1 January 2017	104,028	5,194	109,222
Additions	14,693	2,468	17,161
Disposal	(34)	-	(34)
Reclassification	3,320	(3,320)	-
Attributable to disposal group held for sale (Note 16)	(67,732)	(400)	(68,132)
At 31 December 2017	54,275	3,942	58,217
Accumulated Amortisation			
At 1 January 2017	47,433	-	47,433
Amortisation charge for the year	8,377	-	8,377
Attributable to disposal group held for sale (Note 16)	(38,479)	-	(38,479)
At 31 December 2017	17,331	-	17,331
Net book value at 31 December	36,944	3,942	40,886

6. INTANGIBLE ASSETS (CONTD.)

	Computer Software RM'000	Software Development Costs RM'000	Total RM'000
2016			
Cost			
At 1 January 2016	87,041	1,632	88,673
Additions	16,720	3,829	20,549
Reclassification	267	(267)	-
At 31 December 2016	104,028	5,194	109,222
Accumulated Amortisation			
At 1 January 2016	41,002	-	41,002
Amortisation charge for the year	6,431	-	6,431
At 31 December 2016	47,433	-	47,433
Net book value at 31 December 2016	56,595	5,194	61,789

7. INVESTMENT IN SUBSIDIARY

	2017	2016
Unquoted shares, at cost	RM1	RM1
No. of shares	1	1

Name of company	Principal activity	Effective interest (%) 2017	Effective interest (%) 2016
Double Care Sdn Bhd ("DCSB") (Incorporated in Malaysia)	Dormant (in member's voluntary winding-up)	100.00	100.00

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

8. INVESTMENT IN ASSOCIATE

	2017 RM'000	2016 RM'000
Unquoted shares, at cost	152	152

Name of company	Principal activity	Effective interest (%) 2017	2016
Asian Forum Inc. (Incorporated in Federal Territory of Labuan, Malaysia)	Offshore captive insurance	33.33	33.33

The financial year end of the associate is 31 December. The latest available financial information of the associate for the financial period ended 30 September 2016 were used for the purpose of the above disclosures.

As permitted under MFRS 128 Investments in Associates and Joint Ventures, the investment in associate has not been accounted for by applying the equity method as the immediate holding company, MAHB produces consolidated financial statements available for public use that comply with MFRSs.

9. INVESTMENTS

	<------2017	------	------>	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
Malaysian government papers	92,715	328,334	421,049	482,908
Debt securities	539,511	6,187,067	6,726,578	7,133,256
Equity securities	156,879	1,789,490	1,946,369	1,600,035
Unit and property trust funds	259	111,108	111,367	69,844
Structured products (Note 10)	-	389,631	389,631	384,394
Negotiable certificates of deposit ("NCD")	-	145,463	145,463	144,885
Deposits with financial institutions	374,652	610,794	985,446	1,447,599
	1,164,016	9,561,887	10,725,903	11,262,921

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

	<------2017	------	------>	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
Available-for-sale ("AFS")	789,364	934,653	1,724,017	2,272,705
Fair value through profit and loss ("FVTPL")				
- designated upon initial recognition	-	6,717,747	6,717,747	6,508,602
- held for trading ("HFT")	-	1,298,693	1,298,693	1,034,015
Loans and receivables ("LAR")	374,652	610,794	985,446	1,447,599
	1,164,016	9,561,887	10,725,903	11,262,921

9. INVESTMENTS (CONTD.)

The following investments mature after 12 months:

	<----------2017----------		---------->	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
AFS	497,369	-	497,369	1,262,420
FVTPL				
- designated upon initial recognition	-	6,165,783	6,165,783	6,163,060
- HFT	-	329,850	329,850	336,449
	497,369	6,495,633	6,993,002	7,761,929

9. INVESTMENTS (CONTD.)

	<----------2017	----------	---------->	2016
	Continuing operations RM'000	**Discontinued operations RM'000** (Note 16)	**Total RM'000**	**RM'000**
(a) AFS				
Fair value				
Malaysian government papers	92,715	-	92,715	185,339
Debt securities:				
Unquoted in Malaysia	530,731	-	530,731	1,115,053
Unquoted outside Malaysia	8,780	-	8,780	-
Equity securities:				
Quoted in Malaysia	110,855	868,470	979,325	863,890
Quoted outside Malaysia	522	1,357	1,879	6,133
Quoted unit and property trust funds:				
Quoted in Malaysia	259	58,068	58,327	50,039
Quoted outside Malaysia	-	9	9	-
	743,862	927,904	1,671,766	2,220,454
Cost				
Unquoted equity securities in Malaysia:				
Cost	47,790	6,932	54,722	54,722
Less: Allowance for impairment losses	(2,288)	(183)	(2,471)	(2,471)
	45,502	6,749	52,251	52,251
Total AFS financial assets	789,364	934,653	1,724,017	2,272,705

9. INVESTMENTS (CONTD.)

	<---------------------2017	---------------------	--------------------->	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
(b) FVTPL				
(i) Designated upon initial recognition				
Fair value				
Malaysian government papers	-	240,275	240,275	238,233
Debt securities:				
Unquoted in Malaysia	-	5,796,768	5,796,768	5,550,585
Unquoted outside Malaysia	-	148,646	148,646	192,141
Structured products (Note 10)	-	386,595	386,595	382,758
Negotiable certificates of deposit	-	145,463	145,463	144,885
	-	6,717,747	6,717,747	6,508,602
(ii) HFT				
Fair value				
Malaysian government papers	-	88,059	88,059	59,336
Unquoted debt securities in Malaysia	-	241,653	241,653	275,477
Quoted equity securities in Malaysia	-	912,914	912,914	677,761
Unit and property trust funds:				
Quoted in Malaysia	-	1,740	1,740	1,674
Quoted outside Malaysia	-	51,291	51,291	18,131
Structured products (Note 10)	-	3,036	3,036	1,636
	-	1,298,693	1,298,693	1,034,015
Total FVTPL financial assets	-	8,016,440	8,016,440	7,542,617

9. INVESTMENTS (CONTD.)

(c) LAR

	<----2017 Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000 ---->	2016 RM'000
Fixed and call deposits with:				
Licensed banks	345,502	600,584	946,086	1,194,315
Other financial institutions	29,150	10,210	39,360	253,284
Total LAR financial assets	374,652	610,794	985,446	1,447,599
	1,164,016	9,561,887	10,725,903	11,262,921

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

Included in LAR are assets amounting to RM35,000,000 (2016: RM35,000,000) which have been pledged to obtain a banking facility from MBB.

Fair Value of Financial Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 46(c).

10. STRUCTURED PRODUCTS

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

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

	<---------- 2017 ----------->		<----------- 2016 ---------->	
	Discontinued operations			
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets at FVTPL				
Structured deposits	400,000	386,594	400,000	382,758
Index linked notes	33,663	3,037	33,663	1,636
		389,631		384,394
Total structured products		389,631		384,394

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

11. FINANCING RECEIVABLES

	2017 Continuing operations RM'000	2017 Discontinued operations RM'000 (Note 16)	2017 Total RM'000	2016 RM'000
Policy/automatic premium loans	-	209,454	209,454	213,888
Staff loans - secured	29,269	-	29,269	33,254
Non staff loans	6,757	-	6,757	2,605
	36,026	209,454	245,480	249,747
Allowance for impairment losses (Note 44 (i))	(5,354)	(657)	(6,011)	(1,481)
	30,672	208,797	239,469	248,266
Receivable after 12 months	26,966	-	26,966	29,060

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

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

	2017 Continuing operations RM'000	2017 Discontinued operations RM'000 (Note 16)	2016 RM'000
Policy/automatic premium loans	-	8.00%	8.00%
Staff loans	4.07%	-	3.99%
Non-staff loans	6.45%	-	6.52%

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12. REINSURANCE ASSETS

	<---------2017	---------	--------->	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
Reinsurers' share of:				
- Life insurance contract liabilities (Note 19)	-	32,963	32,963	25,767
- General insurance contract liabilities (Note 19)	2,610,399	-	2,610,399	3,289,906
	2,610,399	32,963	2,643,362	3,315,673
Allowance for impairment losses (Note 44 (i))	(1,924)	-	(1,924)	(529)
	2,608,475	32,963	2,641,438	3,315,144

13. INSURANCE RECEIVABLES

	<---------2017	---------	--------->	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	208,208	18,995	227,203	238,691
Due from reinsurers and cedants	183,050	1,949	184,999	36,080
	391,258	20,944	412,202	274,771
Allowance for impairment losses (Note 44 (i))	(6,447)	(275)	(6,722)	(9,917)
	384,811	20,669	405,480	264,854

13. INSURANCE RECEIVABLES (CONTD.)

Amounts due from reinsurers and cedants that have been offset against amount due to the same are as follows:

	Gross carrying amount RM'000	Gross amount recognised in insurance payables offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
2017			
Continuing operations			
Due premiums including agents/brokers and co-insurers balances	220,237	(12,029)	208,208
Due from reinsurers and cedants	183,604	(554)	183,050
	403,841	(12,583)	391,258
Discontinued operations			
Due premiums including agents/brokers and co-insurers balances	18,995	-	18,995
Due from reinsurers and cedants	17,029	(15,080)	1,949
	36,024	(15,080)	20,944

13. INSURANCE RECEIVABLES (CONTD.)

	Gross carrying amount RM'000	Gross amount recognised in insurance payables offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
2016			
Due premiums including agents/brokers and co-insurers balances	255,902	(17,211)	238,691
Due from reinsurers and cedants	47,073	(10,993)	36,080
	302,975	(28,204)	274,771

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

Included in due premiums including agents/brokers and co-insurers balances are balances due from related parties amounting to RM8,848,104 (2016: RM14,845,358). The amounts receivable are subject to settlement terms stipulated in the underlying insurance contracts.

14. OTHER RECEIVABLES

	<----------2017	-----------------	---------->	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
Amount due from stockbrokers	4,602	108,870	113,472	2,256
Share of net assets in Malaysia Motor Insurance Pool ("MMIP)	56,905	-	56,905	61,669
Amount due from Fund Manager	-	809	809	1,924
Investment property receivables (Note 48(b))	178,251	-	178,251	-
Sundry receivables, deposits and prepayments	5,533	951	6,484	12,453
Allowance for impairment losses (Note 44 (i))	-	(289)	(289)	(157)
	5,533	662	6,195	12,296
Income due and accrued	7,583	112,664	120,247	127,645
Allowance for impairment losses (Note 44 (i))	-	(106)	(106)	(210)
	7,583	112,558	120,141	127,435
Amount due from/(to) related companies* (Note 41 (b)):				
- Ultimate holding company	849	15	864	612
- Other related companies	(7,796)	13,518	5,722	6,833
	(6,947)	13,533	6,586	7,445
	245,927	236,432	482,359	213,025

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

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

Included in sundry receivables, deposits and prepayments and income due and accrued are balances due from related parties amounting to RM908,826 and RM2,182,072 (2016: RM2,081,879 and RM3,395,302) respectively.

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		
	Continuing operations			Discontinued operations					
	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)	Principal/ Notional Amount RM'000	Asset RM'000 (A) (Note 16)	Liability RM'000 (B) (Note 16)	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)
Hedging derivatives:									
Forward foreign exchange contract	10,214	606	-	79,013	2,230	-	-	-	-
Cross currency swap	-	-	-	96,097	-	25,791	138,251	-	56,603
		606	-		2,230	25,791		-	56,603
Total derivatives		606	-		2,230	25,791		-	56,603

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 46(a).

15. DERIVATIVES (CONTD.)

For hedging derivatives:

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments. The Company 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 rate, foreign currency rate or equity indices. The Company uses swap contracts to hedge the principal amounts invested in foreign debt securities denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

For non-hedging derivatives:

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

16. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

During the financial year, the Company received approvals of Bank Negara Malaysia and the Minister of Finance ("MOF") for the proposed separation of the composite business of the Company. This involves the transfer of life business to a related corporation of the Group, Etiqa Life Insurance Berhad ("ELIB"), as disclosed in Note 49.

Statement of financial position disclosure

The net assets classified as held for sale as at 31 December 2017 is as follow:

	Note	2017 RM'000
Assets		
Property, plant and equipment	3	63,908
Investment properties	4	635,708
Prepaid land lease payments	5	11,424
Intangible assets	6	29,653
Investments	9	9,561,887
Financing receivables	11	208,797
Reinsurance assets	12	32,963
Insurance receivables	13	20,669
Other receivables	14	236,432
Derivative assets	15	2,230
Cash and bank balances		142,199
Total Assets		10,945,870
Equity		
Non-distributable non-Par fund surplus		1,768,679
Available-for-sale reserves		(2,481)
Total Equity		1,766,198
Liabilities		
Insurance contract liabilities	19	8,193,491
Derivative liabilities	15	25,791
Deferred tax liabilities, net	21	578,656
Insurance payables	22	15,281
Other payables	23	366,453
Total Liabilities		9,179,672
Total Equity and Liabilities		10,945,870

16. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (CONTD.)

Income statement disclosures

The results of the life insurance business of the Company prior to the licence split, for the year ended 31 December 2017 and 31 December 2016 are as follows:

	Note	2017 RM'000	2016 RM'000
Operating revenue	24	1,837,080	1,516,497
Gross earned premiums	25(a)	1,383,884	1,074,735
Earned premiums ceded to reinsurers	25(b)	(23,683)	(21,533)
Net earned premiums		1,360,201	1,053,202
Fee and commission income	26	3,098	2,255
Investment income	27	453,196	441,762
Realised gains	28	245,710	58,039
Fair value gain	29	69,652	33,025
Other operating income expenses	30	(74,822)	(3,877)
Other revenue		696,834	531,204
Gross benefits and claims paid	31(a)	(1,236,272)	(1,648,314)
Claims ceded to reinsurers	31(b)	12,848	17,130
Gross change in contract liabilities	31(c)	(327,870)	496,289
Change in contract liabilities ceded to reinsurers	31(d)	7,196	3,628
Net benefits and claims		(1,544,098)	(1,131,267)
Management expenses	32	(123,173)	(114,027)
Fee and commission expenses	34	(104,490)	(78,551)
Taxation borne by policyholders	35	(47,740)	(36,461)
Other expenses		(275,403)	(229,039)
Profit before taxation		237,534	224,100
Taxation	35	(48,646)	(51,675)
Net profit for the year		188,888	172,425

16. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (CONTD.)

Other comprehensive income disclosures

	Note	2017 RM'000	2016 RM'000
Net profit for the year		188,888	172,425
Other comprehensive loss:			
Items that may be subsequently reclassified to income statement			
Change in value of AFS financial assets, net			
- Fair value changes		199,321	(33,735)
- Transfer to profit or loss upon disposal		(178,845)	(3,748)
- Fair value adjustment for AFS financial assets backing the Participating Fund		(44,016)	30,875
Tax effect relating to AFS financial assets		5,548	1,834
Other comprehensive loss from discontinued operations for the year, net of tax		(17,992)	(4,774)
Total comprehensive income from discontinued operation for the year, net of tax		170,896	167,651

Statement of cash flows disclosures

The cash flows attributable to the life insurance business of the Company as at 31 December 2017 and 31 December 2016 are as follows:

	2017 RM'000	2016 RM'000
Cash flows from:		
Operating activities	586,461	(40,169)
Investing activities	(517,550)	71,755
Net cash outflows	68,911	31,586
Cash and cash equivalents:		
Cash and cash equivalents at beginning of financial year	73,288	41,702
Cash and cash equivalents at end of financial year	142,199	73,288

17. SHARE CAPITAL

	<-- Number of shares-->		<-------- Amount -------->	
	2017 Units '000	2016 Units '000	2017 RM'000	2016 RM'000
Issued and Paid-up:				
At 1 January 2017/2016	152,151	152,151	152,151	152,151
Transfer from share premium*	-	-	17,728	-
At 31 December 2017/2016	152,151	152,151	169,879	152,151

* Pursuant to the transition provisions set out in Section 618(2) of the Companies Act 2016.

18. RESERVES

		<-----------------	2017	----------------->	2016
	Note	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	RM'000
Non-distributable:					
Share premium	(i)	-	-	-	17,728
AFS reserve	(ii)	(5,263)	(2,481)	(7,744)	22,225
Other reserves:					
Revaluation reserve	(iii)	1,073	-	1,073	11,647
Currency translation reserve	(iv)	13,647	-	13,647	14,843
		14,720	-	14,720	26,490
Retained earnings:					
Distributable retained profits	(v)	488,368	-	488,368	911,214
Non-distributable non-Par fund surplus	(vi)	-	1,768,679	1,768,679	1,719,083
		488,368	1,768,679	2,257,047	2,630,297
Total reserves		497,825	1,766,198	2,264,023	2,696,740

18. RESERVES (CONTD.)

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

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

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

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

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

(vi) 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.

19. INSURANCE CONTRACT LIABILITIES

	2017 Continuing operations Gross RM'000	2017 Continuing operations Reinsurance RM'000 (Note 12)	2017 Continuing operations Net RM'000	2017 Discontinued operations Gross RM'000 (Note 16)	2017 Discontinued operations Reinsurance RM'000 (Note 12)	2017 Discontinued operations Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000 (Note 12)	2016 Net RM'000
Life insurance (Note A)	-	-	-	8,193,491	(32,963)	8,160,528	7,915,788	(25,767)	7,890,021
General insurance (Note B)	3,122,520	(2,610,399)	512,121	-	-	-	3,864,680	(3,289,906)	574,774
	3,122,520	(2,610,399)	512,121	8,193,491	(32,963)	8,160,528	11,780,468	(3,315,673)	8,464,795

(A) Life Insurance

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

(i) Life insurance contract liabilities

	2017 Discontinued operations Gross RM'000 (Note 16)	2017 Discontinued operations Reinsurance RM'000 (Note 12)	2017 Discontinued operations Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000
Claims liabilities	61,277	(3,393)	57,884	64,299	(4,445)	59,854
Actuarial liabilities	6,146,954	(29,570)	6,117,384	5,904,770	(21,322)	5,883,448
Participating fund unallocated surplus	621,836	-	621,836	737,219	-	737,219
Participating fund AFS reserve	(4,621)	-	(4,621)	45,546	-	45,546
NAV attributable to unitholders	1,368,045	-	1,368,045	1,163,954	-	1,163,954
	8,193,491	(32,963)	8,160,528	7,915,788	(25,767)	7,890,021

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19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities

	Claims liabilities RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Total liabilities RM'000
2017								
As at 1 January 2017	64,299	5,904,770	737,219	45,546	1,163,954	7,915,788	(25,767)	7,890,021
Net earned premiums	-		507,535	-	390,171	897,706	-	897,706
Other revenue	-	-	304,885	-	116,298	421,183	-	421,183
Net benefits and claims	(3,022)	-	(480,924)	-	(293,366)	(777,312)	1,052	(776,260)
Other expenses	-	-	(86,970)	-	(38)	(87,008)	-	(87,008)
Change in reserve:								
- Discounting	-	72,791	(28,314)	-	-	44,477	(257)	44,220
- Assumptions	-	885	(18,802)	-	-	(17,917)	552	(17,365)
- Policy movements	-	168,508	(277,028)	-	-	(108,520)	(8,543)	(117,063)
Changes in AFS reserve	-	-	-	(54,002)	-	(54,002)	-	(54,002)
Taxation	-	-	(20,120)	3,835	(8,974)	(25,259)	-	(25,259)
Transfer from shareholders' fund	-	-	(15,645)	-	-	(15,645)	-	(15,645)
Attributable to assets held for sale (Note 16)	(61,277)	(6,146,954)	(621,836)	4,621	(1,368,045)	(8,193,491)	32,963	(8,160,528)
At 31 December 2017	-	-	-	-	-	-	-	-

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19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

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

	Claims liabilities RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Total liabilities RM'000
2016								
As at 1 January 2016	63,286	5,926,062	653,059	74,343	1,724,124	8,440,874	(22,139)	8,418,735
Net earned premiums	-		414,713	-	248,714	663,427	-	663,427
Other revenue	-	-	289,256	-	16,788	306,044	-	306,044
Net benefits and claims	1,013	-	(469,523)	-	(824,465)	(1,292,975)	(1,805)	(1,294,780)
Other expenses	-	-	(61,055)	-	(46)	(61,101)	-	(61,101)
Change in reserve:								
- Discounting	-	12,912	(22,213)	-	-	(9,301)	240	(9,061)
- Assumptions	-	2,469	(5,029)	-	-	(2,560)	(144)	(2,704)
- Policy movements	-	(36,673)	(43,328)	-	-	(80,001)	(1,919)	(81,920)
Changes in AFS reserve	-	-	-	(30,875)	-	(30,875)	-	(30,875)
Taxation	-	-	(19,394)	2,078	(1,161)	(18,477)	-	(18,477)
Transfer to shareholders' fund	-	-	733	-	-	733	-	733
At 31 December 2016	64,299	5,904,770	737,219	45,546	1,163,954	7,915,788	(25,767)	7,890,021

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance

	2017 Continuing operations			2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities (i)	2,710,436	(2,387,292)	323,144	3,437,773	(3,049,160)	388,613
Premium liabilities (ii)	412,084	(223,107)	188,977	426,907	(240,746)	186,161
	3,122,520	(2,610,399)	512,121	3,864,680	(3,289,906)	574,774

(i) Claims liabilities

	2017 Continuing operations			2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January 2017/2016	3,437,773	(3,049,160)	388,613	3,351,905	(2,896,268)	455,637
Claims incurred in the current accident year	650,647	(445,246)	205,401	497,459	(252,395)	245,064
Other movements in claims incurred in prior accident years	(470,201)	440,679	(29,522)	623,801	(641,130)	(17,329)
Claims paid during the year (Note 31)	(784,843)	555,304	(229,539)	(889,062)	636,987	(252,075)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(10,305)	-	(10,305)	(674)	-	(674)
Movements in PRAD	(112,635)	111,131	(1,504)	(145,656)	103,646	(42,010)
At 31 December 2017/2016	2,710,436	(2,387,292)	323,144	3,437,773	(3,049,160)	388,613

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19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance (Contd.)

(ii) Premium liabilities

	<---- 2017	Continuing operations	---->	<---- 2016		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January 2017/2016	426,907	(240,746)	186,161	587,741	(357,180)	230,561
Premiums written in the year (Note 25)	1,105,313	(688,299)	417,014	1,328,432	(898,708)	429,724
Premiums earned during the year (Note 25)	(1,120,136)	705,938	(414,198)	(1,489,266)	1,015,142	(474,124)
At 31 December 2017/2016	412,084	(223,107)	188,977	426,907	(240,746)	186,161

20. SUBORDINATED OBLIGATION

	2017 RM'000	2016 RM'000
RM500 million Tier 2 Capital Subordinated Bond	500,000	500,000
Interest payable	10,119	10,120

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

The fair value of the subordinated obligations is RM500,430,000 (2016: RM498,690,000), and is determined by reference to indicative ask-price obtained from Bondweb provided by Bond Pricing Agency Malaysia ("BPAM"). The fair values of subordinated obligations are categorised under Level 2 of the fair value hierarchy as the valuations were mainly based on market observable inputs.

21. DEFERRED TAX, NET

	2017 RM'000	2016 RM'000
At 1 January 2017/2016	(586,137)	(516,255)
Recognised in:		
Income statement (Note 35)	(3,584)	(71,476)
- Taxation borne by policyholders	1,862	(6,249)
- Tax expense	(5,446)	(65,227)
Other comprehensive income (Note 35)	9,331	(480)
Insurance contract liabilities (Note 19)	3,835	2,078
Attributable to disposal group held for sale (Note 16)	578,656	-
Translation differences	-	(4)
At 31 December 2017/2016	2,101	(586,137)

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 is presented on a net basis after offsetting as follows:

	<-------------2017---------------->		2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	
Presented after appropriate offsetting as follows:			
Deferred tax assets	6,198	4,143	8,122
Deferred tax liabilities	(4,097)	(582,799)	(594,259)
	2,101	(578,656)	(586,137)

21. DEFERRED TAX, NET (CONTD.)

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

Deferred Tax Assets

	Impairment on receivables RM'000	Amortisation of premiums on investments RM'000	AFS reserves RM'000	Impairment on investments RM'000	Others RM'000	Total RM'000
2017						
At 1 January 2017	2,336	2,292	(1)	3,495	-	8,122
Recognised in:						
Income statement	(338)	(140)	-	(88)	-	(566)
- Taxation borne by policyholders	21	(327)	-	(147)	-	(453)
- Tax expense	(359)	187	-	59	-	(113)
Other comprehensive income	-	-	2,413	-	-	2,413
Insurance contract liabilities	-	-	372	-	-	372
Attributable to disposal group held for sale (Note 16)	(185)	(983)	(1,123)	(1,852)	-	(4,143)
At 31 December 2017	1,813	1,169	1,661	1,555	-	6,198
2016						
At 1 January 2016	5,957	1,129	413	13,870	11	21,380
Recognised in:						
Income statement	(3,620)	1,163	(414)	(10,375)	(9)	(13,255)
- Taxation borne by policyholders	4	1,952	-	(4,521)	-	(2,565)
- Tax expense	(3,624)	(789)	(414)	(5,854)	(9)	(10,690)
Translation differences	(1)	-	-	-	(2)	(3)
At 31 December 2016	2,336	2,292	(1)	3,495	-	8,122

21. DEFERRED TAX, NET (CONTD.)

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	AFS reserves RM'000	Non-Participating fund unallocated surplus RM'000	Unrealised currency exchange RM'000	General insurance liabilities RM'000	Unit linked RM'000	Total RM'000
2017								
At 1 January 2017	(5,718)	(35,737)	(10,381)	(536,236)	(4,224)	-	(1,963)	(594,259)
Recognised in:								
Income statement	410	21,819	-	(22,293)	2,590	(697)	(4,847)	(3,018)
- Taxation borne by policyholders	(282)	5,000	-	-	2,444	-	(4,847)	2,315
- Tax expense	692	16,819	-	(22,293)	146	(697)	-	(5,333)
Other comprehensive income	-	-	6,918	-	-	-	-	6,918
Insurance contract liabilities	-	-	3,463	-	-	-	-	3,463
Attributable to disposal group held for sale (Note16)	1,970	13,726	-	558,529	1,764	-	6,810	582,799
At 31 December 2017	(3,338)	(192)	-	-	130	(697)	-	(4,097)
2016								
At 1 January 2016	(4,410)	(29,509)	(11,977)	(484,158)	(2,634)	-	(4,947)	(537,635)
Recognised in:								
Income statement	(1,307)	(6,228)	(2)	(52,078)	(1,590)	-	2,984	(58,221)
- Taxation borne by policyholders	(186)	(5,126)	-	-	(1,356)	-	2,984	(3,684)
- Tax expense	(1,121)	(1,102)	(2)	(52,078)	(234)	-	-	(54,537)
Other comprehensive income	-	-	(480)	-	-	-	-	(480)
Insurance contract liabilities	-	-	2,078	-	-	-	-	2,078
Translation differences	(1)	-	-	-	-	-	-	(1)
At 31 December 2016	(5,718)	(35,737)	(10,381)	(536,236)	(4,224)	-	(1,963)	(594,259)

22. INSURANCE PAYABLES

	<---------2017	---------	--------->	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
Due to agents and intermediaries	65,968	10,407	76,375	65,544
Due to reinsurers and cedants	252,414	4,874	257,288	234,150
	318,382	15,281	333,663	299,694

Amounts due to reinsurers and cedants that have been offset against amount due from the same are as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
2017			
Continuing operations			
Due to agents and intermediaries	77,997	(12,029)	65,968
Due to reinsurers and cedants	252,968	(554)	252,414
	330,965	(12,583)	318,382

22. INSURANCE PAYABLES (CONTD.)

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
2017			
Discontinued operations			
Due to agents and intermediaries	10,407	-	10,407
Due to reinsurers and cedants	19,954	(15,080)	4,874
	30,361	(15,080)	15,281
2016			
Due to agents and intermediaries	82,755	(17,211)	65,544
Due to reinsurers and cedants	245,143	(10,993)	234,150
	327,898	(28,204)	299,694

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

Included in due to agents and intermediaries and due to reinsurers and cedants are balances due to related parties amounting to NIL and RM580,522 (2016: RM145,665 and NIL).

23. OTHER PAYABLES

	<------	2017	------>	2016
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	RM'000
Premium deposits	-	73,037	73,037	54,432
Dividend payable to policyholders	-	80,316	80,316	79,626
Amount due to related companies* (Note 41 (b)):				
- Holding company	771	195	966	1,606
- Other related companies	92	2	94	23
Amount due to subsidiary* (Note 41 (b)):	1,637	-	1,637	1,640
Amount due to stockbrokers	-	13,363	13,363	5,842
Claims pending disbursement	76	15,782	15,858	11,565
Sundry payables and accrued liabilities	57,085	183,758	240,843	178,562
	59,661	366,453	426,114	333,296

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

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

Included in sundry payables and accrued liabilities are balances due to related parties amounting to NIL (2016: RM2,372,988).

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24. OPERATING REVENUE

	<------ 2017	------>		<------ 2016	------>	
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Gross premiums (Note 25)	1,105,313	1,383,884	2,489,197	1,328,432	1,074,735	2,403,167
Investment income (Note 27)	100,776	453,196	553,972	88,469	441,762	530,231
	1,206,089	1,837,080	3,043,169	1,416,901	1,516,497	2,933,398

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25. NET EARNED PREMIUMS

	<---- 2017	----	---->	<---- 2016	----	---->
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
(a) Gross Earned Premiums						
Life insurance contracts	-	1,383,884	1,383,884	-	1,074,735	1,074,735
General insurance contracts	1,105,313	-	1,105,313	1,328,432	-	1,328,432
Gross premiums (Note 24)	1,105,313	1,383,884	2,489,197	1,328,432	1,074,735	2,403,167
Gross change in premium liabilities	14,823	-	14,823	160,834	-	160,834
Gross earned premiums	1,120,136	1,383,884	2,504,020	1,489,266	1,074,735	2,564,001
(b) Earned Premiums ceded to reinsurers						
Life insurance contracts	-	(23,683)	(23,683)	-	(21,533)	(21,533)
General insurance contracts	(688,299)	-	(688,299)	(898,708)	-	(898,708)
Premiums ceded to reinsurers	(688,299)	(23,683)	(711,982)	(898,708)	(21,533)	(920,241)
Change in premium liabilities ceded to reinsurers	(17,639)	-	(17,639)	(116,434)	-	(116,434)
Earned premiums ceded to reinsurers	(705,938)	(23,683)	(729,621)	(1,015,142)	(21,533)	(1,036,675)
Net earned premiums	414,198	1,360,201	1,774,399	474,124	1,053,202	1,527,326

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26. FEE AND COMMISSION INCOME

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Reinsurance commission income	57,294	3,098	60,392	73,932	2,255	76,187

27. INVESTMENT INCOME

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
AFS financial sssets						
Interest income	72,238	-	72,238	61,113	-	61,113
Dividend income						
- Quoted in Malaysia	3,450	21,121	24,571	3,812	16,921	20,733
- Quoted outside Malaysia	-	370	370	15	102	117
- Unquoted in Malaysia	73	706	779	87	730	817
- Unit and property trusts	5	2,133	2,138	21	2,093	2,114

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27. INVESTMENT INCOME (CONTD.)

	2017			2016		
	Continuing operations RM'000	**Discontinued operations RM'000** (Note 16)	**Total RM'000**	**Continuing operations RM'000**	**Discontinued operations RM'000** (Note 16)	**Total RM'000**
Financial assets at FVTPL						
(i) Designated upon initial recognition						
Interest income	-	336,053	336,053	-	316,506	316,506
(ii) HFT						
Interest income	-	15,953	15,953	-	15,372	15,372
Dividend income						
- Quoted in Malaysia	-	20,589	20,589	-	17,740	17,740
- Unit and property trusts	-	107	107	-	226	226
LAR						
Interest income	15,322	28,683	44,005	18,176	38,339	56,515
Interest income from financing receivables and other loans	1,001	17,176	18,177	99	18,606	18,705
Rental income	6,979	33,358	40,337	8,573	39,715	48,288
Rental expense	(780)	(12,363)	(13,143)	(1,205)	(14,902)	(16,107)
Amortisation of premiums/ (accretion of discount), net	2,927	(7,988)	(5,061)	(1,726)	(7,209)	(8,935)
Investment related expenses	(439)	(2,702)	(3,141)	(496)	(2,477)	(2,973)
Total Investment Income	100,776	453,196	553,972	88,469	441,762	530,231

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28. REALISED GAINS

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Realised (loss)/gain on disposal of:						
- property, plant and equipment	(6)	-	(6)	(7)	20	13
- investment property	75,819	-	75,819	-	-	-
- asset held for sale	-	-	-	27,412	-	27,412
AFS financial assets						
Realised gains/(losses):						
- Malaysian government papers	429	-	429	1,428	-	1,428
- Equity securities	29,985	171,056	201,041	(2,571)	(249)	(2,820)
- Debt securities	(4,400)	-	(4,400)	8,349	-	8,349
- Unit and property trust funds	(5)	7,788	7,783	(10)	3,998	3,988
	26,009	178,844	204,853	7,196	3,749	10,945

28. REALISED GAINS (CONTD.)

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Financial assets at FVTPL						
(i) Designated upon initial recognition						
Realised gains:						
- Malaysian government papers	-	3,390	3,390	-	6,326	6,326
- Debt securities	-	19,358	19,358	-	18,032	18,032
	-	22,748	22,748	-	24,358	24,358
(ii) HFT						
Realised gains/(losses):						
- Malaysian government papers	-	87	87	-	6,183	6,183
- Equity securities	-	33,488	33,488	-	(1,896)	(1,896)
- Debt securities	-	(630)	(630)	-	5,502	5,502
- Unit and property trust funds	-	(252)	(252)	-	927	927
- Other investments	-	-	-	-	33,203	33,203
- Derivatives	-	11,425	11,425	(74)	(14,007)	(14,081)
	-	44,118	44,118	(74)	29,912	29,838
Total Realised Gains	101,822	245,710	347,532	34,527	58,039	92,566

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29. FAIR VALUE GAINS

	2017 Continuing operations RM'000	2017 Discontinued operations RM'000 (Note 16)	2017 Total RM'000	2016 Continuing operations RM'000	2016 Discontinued operations RM'000 (Note 16)	2016 Total RM'000
Investment properties						
Fair value gain	280	1,650	1,930	50	8,900	8,950
Financial assets at FVTPL						
(i) Designated upon initial recognition	-	(29,099)	(29,099)	(1,825)	65,022	63,197
(ii) HFT	606	97,101	97,707	6,032	(40,897)	(34,865)
Total fair value gains on financial assets at FVTPL	606	68,002	68,608	4,207	24,125	28,332
Total Fair Value Gains	886	69,652	70,538	4,257	33,025	37,282

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30. OTHER OPERATING EXPENSES, NET

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Other income						
Unrealised gain on foreign exchange	-	-	-	78	9,226	9,304
Realised gain on foreign exchange	337	-	337	-	-	-
Reversal of impairment losses on						
- financing receivables	-	-	-	-	771	771
- insurance receivables	3,217	-	3,217	9	9,398	9,407
- reinsurance assets	-	-	-	2,894	-	2,894
- other receivables	-	-	-	-	36	36
Sundry income	6,012	1,694	7,706	6,370	1,660	8,030
	9,566	1,694	11,260	9,351	21,091	30,442
Other expenses						
Impairment losses on						
- financing receivables	(4,420)	(110)	(4,530)	-	-	-
- insurance receivables	-	(22)	(22)	-	-	-
- reinsurance assets	(1,395)	-	(1,395)	-	-	-
- AFS equity securities	(6,490)	(18,275)	(24,765)	(8,610)	(15,454)	(24,064)
- other receivables	-	(32)	(32)	-	-	-
Bad debts written off	(588)	(24)	(612)	(169)	(1,746)	(1,915)
Unrealised loss on foreign exchange	(920)	(41,671)	(42,591)	-	-	-
Realised loss on foreign exchange	(335)	(12,510)	(12,845)	(6,742)	1,718	(5,024)
Sundry expenditure	(107)	(3,872)	(3,979)	5,525	(9,486)	(3,961)
	(14,255)	(76,516)	(90,771)	(9,996)	(24,968)	(34,964)
Total Other Operating (Expenses)/Income, Net	(4,689)	(74,822)	(79,511)	(645)	(3,877)	(4,522)

31. NET BENEFITS AND CLAIMS

	<---- 2017		---->	<---- 2016		---->
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
(a) Gross Benefits and Claims Paid						
Insurance contracts:						
Life ^	-	1,236,272	1,236,272	-	1,648,314	1,648,314
General	784,843	-	784,843	889,062	-	889,062
	784,843	1,236,272	2,021,115	889,062	1,648,314	2,537,376
(b) Claims Ceded to Reinsurers						
Insurance contracts:						
Life	-	(12,848)	(12,848)	-	(17,130)	(17,130)
General	(555,304)	-	(555,304)	(636,987)	-	(636,987)
	(555,304)	(12,848)	(568,152)	(636,987)	(17,130)	(654,117)
(c) Gross Change in Contract Liabilities						
Insurance contracts:						
Life	-	327,870	327,870	-	(496,289)	(496,289)
General	(727,337)	-	(727,337)	85,868	-	85,868
	(727,337)	327,870	(399,467)	85,868	(496,289)	(410,421)
(d) Change in Contract Liabilities Ceded to Reinsurers						
Insurance contracts:						
Life	-	(7,196)	(7,196)	-	(3,628)	(3,628)
General	661,868	-	661,868	(152,892)	-	(152,892)
	661,868	(7,196)	654,672	(152,892)	(3,628)	(156,520)
Net Benefits and Claims	164,070	1,544,098	1,708,168	185,051	1,131,267	1,316,318

^ The previous 2016 figures at company level have taken into consideration an inter fund elimination of RM2,227,074.

32. MANAGEMENT EXPENSES

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Employee benefits expense (Note 32(a))	77,598	68,371	145,969	75,273	65,576	140,849
Directors' remuneration (Note 33)	1,180	-	1,180	1,038	-	1,038
Auditors' remuneration:						
- statutory audit	577	130	707	537	139	676
- limited review	184	-	184	-	-	-
- regulatory related services	35	-	35	35	-	35
- other services	22	-	22	22	-	22
Amortisation of intangible assets	4,684	3,693	8,377	3,622	2,809	6,431
Amortisation of prepaid land lease payments	227	181	408	153	150	303
Bank charges	4,377	3,372	7,749	5,127	2,917	8,044
Depreciation of property, plant and equipment	3,910	5,931	9,841	4,440	5,170	9,610
Other management fees	16,260	570	16,830	20,624	541	21,165
Professional fees	2,463	751	3,214	1,380	958	2,338
Auto assist services	1,299	-	1,299	2,197	-	2,197
Assured medical fees	-	1,919	1,919	-	1,145	1,145
Rental of offices/premises	1,072	708	1,780	1,147	600	1,747
Electronic data processing expenses	5,712	3,203	8,915	4,194	2,685	6,879
Outsourcing services	273	(33)	240	(3)	508	505
Maybank shared services - information technology	4,291	4,367	8,658	6,782	6,536	13,318

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32. MANAGEMENT EXPENSES (CONTD.)

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Postage and stamp duties	476	1,885	2,361	809	1,919	2,728
Printing and stationery	868	1,542	2,410	1,019	1,488	2,507
Promotional and marketing cost	10,488	10,394	20,882	6,494	6,106	12,600
Training expenses	1,774	1,689	3,463	850	675	1,525
Utilities, assessment and maintenance	4,730	4,248	8,978	4,075	3,958	8,033
Entertainment	429	286	715	473	276	749
Travelling expenses	1,417	1,449	2,866	1,366	1,087	2,453
Office facilities expenses	108	181	289	2,297	3,453	5,750
Legal fees	852	35	887	404	192	596
Other expenses	12,804	8,301	21,105	11,415	5,139	16,554
Total Management Expenses	158,110	123,173	281,283	155,770	114,027	269,797
(a) Employee benefits expense:						
Wages and salaries	57,752	51,245	108,997	54,459	48,046	102,505
EPF, CPF and TAP	9,069	7,900	16,969	8,614	7,515	16,129
SOCSO	373	330	703	332	297	629
Share-based compensation	282	259	541	352	342	694
Other benefits	10,122	8,637	18,759	11,516	9,376	20,892
	77,598	68,371	145,969	75,273	65,576	140,849

32. MANAGEMENT EXPENSES (CONTD.)

Continuing operations

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

	2017 RM'000	2016 RM'000
Salary	480	462
Bonus	231	37
EPF and pension scheme	121	87
Benefits-in-kind	7	7
Other emoluments	77	87
	916	680

33. DIRECTORS' FEES AND REMUNERATION

	2017 RM'000	2016 RM'000
Continuing operations		
(i) Directors of the company		
Executive directors:		
Fees	116	-
Allowance	8	-
	124	-
Non-executive directors:		
Fees	882	895
Allowance	87	88
Other emoluments	6	6
	975	989
(ii) Other directors:		
Executive:		
Fees	67	43
Allowance	14	6
	81	49
Total Directors' Fees and Remuneration	1,180	1,038

33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

	Allowance RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
2017				
(i) Directors of the Company:				
Executive director				
Puan Nora Abd. Manaf	8	116	-	124
	8	116	-	124
Non-executive directors				
Datuk R Karunakaran	9	158	-	167
Mr. Philippe Pol Arthur Latour	11	141	-	152
Dato' Johan Ariffin	17	145	-	162
Mr. Loh Lee Soon	17	141	2	160
Mr. Frank J.G Van Kempen	14	129	-	143
Mr. Koh Heng Kong	16	129	4	149
Mr. Wong Pakshong Kat Jeong Colin Stewart	3	39	-	42
	87	882	6	975
(ii) Other Directors				
Non-executive directors				
Datuk Abdul Farid Alias	3	19	-	22
Dato' Mohamed Rafique Merican	3	25	-	28
Encik Zainal Abidin Jamal	7	14	-	21
Dato' Amirul Feisal Wan Zahir	1	9	-	10
	14	67	-	81
	109	1,065	6	1,180
2016				
(i) Directors of the Company				
Non-executive directors				
Datuk R Karunakaran	10	151	-	161
Mr. Philippe Pol Arthur Latour	5	71	-	76
Dato' Johan Ariffin	15	145	-	160
Mr. Frank J.G Van Kempen	15	141	-	156
Mr. Loh Lee Soon	16	141	3	160
Mr. Koh Heng Kong	16	129	3	148
Dato' Mohd Salleh Hj Harun	1	26	-	27
Encik Zainal Abidin Jamal	6	33	-	39
Mr. Gary Lee Crist	4	58	-	62
	88	895	6	989
(ii) Other Directors				
Non-executive directors				
Datuk' Abdul Farid Alias	4	28	-	32
Dato' Mohamed Rafique Merican	2	15	-	17
	6	43	-	49
	94	938	6	1,038

34. FEE AND COMMISSION EXPENSES

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Costs incurred for the acquisition of insurance contracts expensed	80,188	104,490	184,678	93,413	78,551	171,964

35. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 31 December 2016 are:

	<--- 2017		--->	<--- 2016		--->
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Income Statement						
Income tax:						
Current financial year						
- Malaysia	86,243	26,353	112,596	47,256	(404)	46,852
(Over)/under provision of taxation in prior financial years	585	-	585	(18,099)	-	(18,099)
Deferred taxation:						
Relating to origination and reversal of temporary differences (Note 21)	(16,847)	22,293	5,446	13,148	52,079	65,227
Income tax expense/(recovery) recognised in income statement	69,981	48,646	118,627	42,305	51,675	93,980
Statement of Comprehensive Income						
Deferred income tax related to other comprehensive income:						
- Fair value changes on AFS investments (Note 21)	(3,783)	(5,548)	(9,331)	2,314	(1,834)	480

35. INCOME TAX EXPENSE (CONTD.)

Reconciliation between tax expense and accounting profit

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

	<----- 2017		----->	<----- 2016		----->
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Profit before taxation	247,269	237,532	484,801	219,787	224,100	443,887
Taxation at Malaysian statutory tax rate of 24%	59,344	57,008	116,352	52,749	53,784	106,533
Tax relief on actuarial surplus transferred to shareholder's fund	-	(13,176)	(13,176)	-	-	-
Tax on non-recyclable income	2,630	-	2,630	-	-	-
Income not subject to tax	(2,351)	-	(2,351)	(5,095)	(2,109)	(7,204)
Expenses not deductible for tax purpose	9,773	4,814	14,587	12,750	-	12,750
Under provision of taxation in prior financial year	585	-	585	(18,099)	-	(18,099)
Tax expense for the financial year	69,981	48,646	118,627	42,305	51,675	93,980

Domestic income tax for shareholder's fund and general fund are calculated on the estimated assessable profit for the financial year at Malaysian statutory tax rate of 24% (2016: 24%).

35. INCOME TAX EXPENSE (CONTD.)

Taxation borne by policyholders

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Income tax:						
Current financial year	-	49,796	49,796	-	29,341	29,341
Over provision of taxation in prior financial years	-	(194)	(194)	-	871	871
Deferred taxation:						
Relating to origination and reversal of temporary differences (Note 21)	-	(1,862)	(1,862)	-	6,249	6,249
	-	47,740	47,740	-	36,461	36,461

The income tax borne by policyholders 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.

36. EARNINGS PER SHARE

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

	2017 RM'000	2016 RM'000
Profit attributable to ordinary equity holders		
- Continuing operations	177,288	177,482
- Discontinued operations	188,888	172,425
	366,176	349,907

	2017 '000	2016 '000
Number of ordinary share in issue	152,151	152,151

	2017 sen	2016 sen
Basic and diluted earnings per share:		
- Continuing operations	116.52	116.65
- Discontinued operations	124.15	113.32
	240.67	229.97

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

37. DIVIDENDS

	2017 RM'000	2016 RM'000
Recognised during the financial year:		
Dividend on ordinary shares:		
- Final dividend for the year ended 31 December 2015: Single-tier dividend of 131.5 sen per share	-	200,079
- Final dividend for the year ended 31 December 2016: Single-tier dividend of 111.7 sen per share	169,999	-
- Interim dividend for the year ended 31 December 2017: Single-tier dividend of 381.2 sen per share	580,001	-
	750,000	200,079

38. OPERATING LEASE COMMITMENTS

(a) Company as lessee

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

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

	2017 RM'000	2016 RM'000
Within 1 year		
- Continuing operations	830	1,098
- Discontinued operations	353	-
After 1 year but not more than 5 years		
- Continuing operations	1,592	2,773
- Discontinued operations	1,398	-
	4,173	3,871

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

(b) Company as lessor

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

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

	2017 RM'000	2016 RM'000
Not later than 1 year		
- Continuing operations	6,490	38,335
- Discontinued operations	26,060	-
After 1 year but not more than 5 years		
- Continuing operations	23,442	57,079
- Discontinued operations	40,296	-
	96,288	95,414

38. OPERATING LEASE COMMITMENTS (CONTD.)

(b) Company as lessor (Contd.)

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

39. OTHER COMMITMENTS AND CONTINGENCIES

	2017			2016
	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	RM'000
Approved and contracted for:				
Investment properties	-	106,062	106,062	207,107
Property, plant and equipment	192	2,985	3,177	4,967
Intangible assets	3,472	-	3,742	2,374
	3,664	109,047	112,981	214,448
Approved but not contracted for:				
Investment properties	-	11,519	11,519	12,477
Intangible assets	4,546	-	4,546	3,600
	4,546	11,519	16,065	16,077

40. SHARE BASED COMPENSATION

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

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

40. SHARE BASED COMPENSATION (CONTD.)

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

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

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

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

(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 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.

40. SHARE BASED COMPENSATION (CONTD.)

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

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

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

  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 prorated based on 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 fifth and sixth tranche of ESOS First Grant.

40. SHARE BASED COMPENSATION (CONTD.)

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

- 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 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.

  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.

40. SHARE BASED COMPENSATION (CONTD.)

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

- 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.

- 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.

40. SHARE BASED COMPENSATION (CONTD.)

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

- The new ordinary shares in MBB allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the existing ordinary shares in MBB, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of MBB relating to transfer, transmission and otherwise.

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

- 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.

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

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

- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants.

- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date.

- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU Grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a two (2) to three (3) years cliff vesting schedule.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

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

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

The Company has related party relationships with its shareholders, subsidiaries, associates, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholders.

Related party transactions have been entered into in the normal course of business under normal trade terms.

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

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

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Income/(expenses):						
Ultimate holding company:						
Gross premium income	25,938	-	25,938	28,270	-	28,270
Commissions and fees expenses	(24,581)	(76,212)	(100,793)	(23,923)	(50,016)	(73,939)
Claims paid	(130,621)	-	(130,621)	(6,952)	-	(6,952)
Interest income	3,331	12,302	15,633	3,251	14,719	17,970
Rental income	445	2,647	3,092	510	2,688	3,198
Other income	-	335	335	736	-	736
Other expenses	(1,048)	(2,842)	(3,890)	(2,108)	(4,168)	(6,276)
Holding company:						
Gross premium income	4	-	4	267	-	267
Rental income	19	75	94	24	79	103
Claims paid	(54)	-	(54)	(332)	-	(332)
Shared service cost	(9,480)	1,231	(8,249)	(4,669)	689	(3,980)
Other expense	-	-	-	(81)	(101)	(182)
Interim dividend	(580,001)	-	(580,001)	-	-	-
Final dividend	(169,999)	-	(169,999)	(200,079)	-	(200,079)

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

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

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Other related companies within the MBB group:						
Gross premium income	22,332	-	22,332	23,688	-	23,688
Premium ceded to reinsurers	(22,328)	-	(22,328)	(21,492)	-	(21,492)
Dividend income	-	1,738	1,738	-	2,006	2,006
Commissions and fee expenses	(7,746)	-	(7,746)	(7,652)	-	(7,652)
Reinsurance commission income	9,266	-	9,266	8,920	-	8,920
Interest income	2,420	6,661	9,081	1,945	9,826	11,771
Rental income	5,476	7,359	12,835	6,497	8,193	14,690
Other investment income	-	27	27	-	23	23
Shared service income/(expenses)	(42,229)	100,402	58,173	(41,984)	93,414	51,430
Maybank shared service - information technology expenses	(4,291)	(4,367)	(8,658)	(6,782)	(6,536)	(13,318)
Claims paid	(6,657)	-	(6,657)	(305)	-	(305)
Claims recovery from reinsurers	1,987	-	1,987	1,466	-	1,466
Investment advisory fee	(91)	(659)	(750)	(750)	-	(750)
Reimbursement of advisory fee	45	330	375	789	-	789
Other income	867	-	867	258	-	258
Other expenses	(209)	-	(209)	(67)	-	(67)

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

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

	2017			2016		
	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Companies with significant influence over the MBB Group:						
Gross insurance premium income	48	1,535	1,583	6,245	-	6,245
Claims paid	(8)	(1,093)	(1,101)	(4,281)	-	(4,281)
Interest on subordinated obligation	(10,944)	-	(10,944)	(10,941)	-	(10,941)
Shareholder of holding company:						
Remuneration of seconded employee	(1,279)	-	(1,279)	(1,189)	-	(1,189)
Professional fee	183	-	183	(414)	-	(414)

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

	2017			2016
	Continuing operations RM'000	Discontinuing operation RM'000	Total RM'000	
Ultimate holding company:				
Fixed and call deposits	229,611	259,275	488,886	383,751
Structured deposits	-	-	-	50,155
Corporate bonds	-	9,999	9,999	35,421
Derivatives	605	(23,844)	(23,239)	(56,603)
Bank balances	32,765	135,506	168,271	82,880

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

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

	<------ 2017		------>	2016
	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	RM'000
Ultimate holding company (contd.):				
Income due and accrued	693	176	869	1,184
Outstanding premiums	8,806	-	8,806	9,868
Claim liabilities	(58,445)	-	(58,445)	(11,587)
Amount due from ultimate holding company	849	15	864	612
Other receivables	-	909	909	1,932
Other payables	-	-	-	(2,373)
Holding company:				
Outstanding premiums	1	-	1	-
Amount due to holding company	(770)	(196)	(966)	(1,606)
Other related companies within the MBB Group:				
Fixed and call deposits	40,003	191,359	231,362	291,770
Outstanding premiums	42	-	42	14
Income and profits due and accrued	373	940	1,313	2,211
Amount due (to)/from reinsurers and cedants	(487)	-	(487)	4,923
Reinsurance assets	-	-	-	1,190
Claims liabilities	(5,009)	-	(5,009)	(4,959)
Other receivables	-	-	-	150
Amount due (to)/from other related companies	(7,796)	13,518	5,722	6,833
Amount due to other related companies	(92)	(2)	(94)	(23)

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

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

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

	<------- 2017 -------		------->	2016
	Continuing operations RM'000	**Discontinued operations RM'000**	**Total RM'000**	**RM'000**
Companies with significant influence over the MBB Group:				
Outstanding premiums	-	-	-	40
Claims liabilities	(2,026)	-	(2,026)	(22)
Amount due to agents and intermediaries	-	-	-	(146)
Amount due to reinsurers and cedants	(94)	-	(94)	-
Subordinated obligation	(270,363)	-	(270,363)	(270,364)
Subsidiary:				
Amount due to subsidiary	-	(1,637)	(1,637)	(1,640)

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

(c) Key management personnel compensation

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

	2017 RM'000	2016 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	820	593
- Fees	1,065	938
- EPF and pension scheme	121	87
- Other emoluments and benefits-in-kind	90	100
	2,096	1,718

(ii) The movement in the number of ESOS granted and vested to key management personnel are as follows:

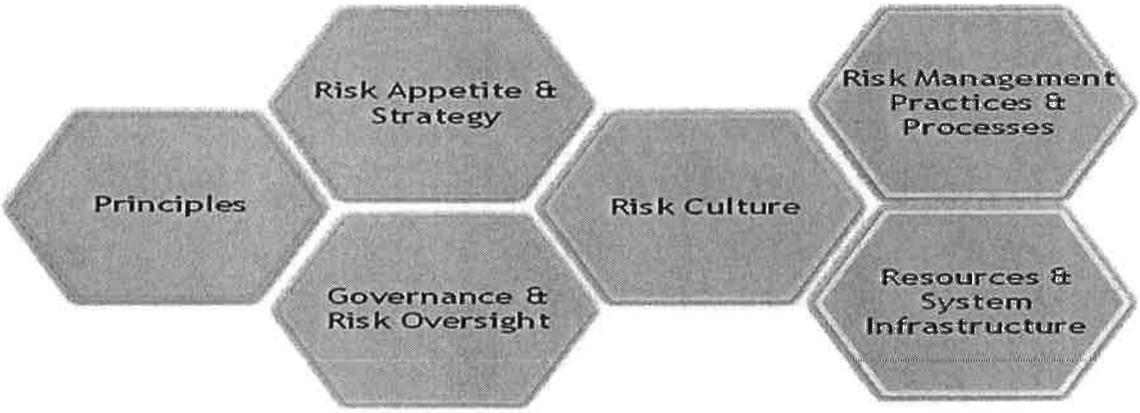
	2017 '000	2016 '000
At 1 January	170	155
Vested and exercisable	30	15
Exercised	(59)	-
At 31 December	141	170

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

42. INTEGRATED RISK MANAGEMENT FRAMEWORK

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

Risk Appetite and Strategy

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

42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Appetite and Strategy (Contd.)

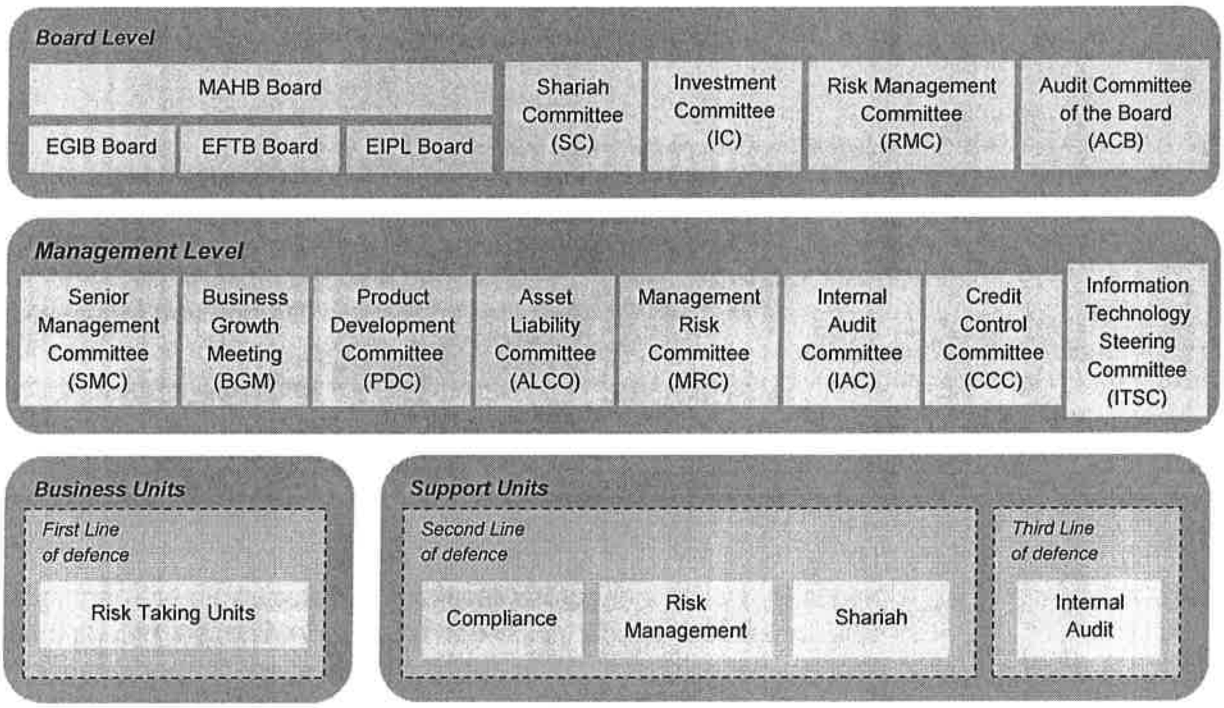
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising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

Governance and Oversight

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

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

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



42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Oversight (Contd.)

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

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:

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

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 lines derived from the overall marketing plan of the Group.

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

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.

42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

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 Company and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk Management Practices and Processes

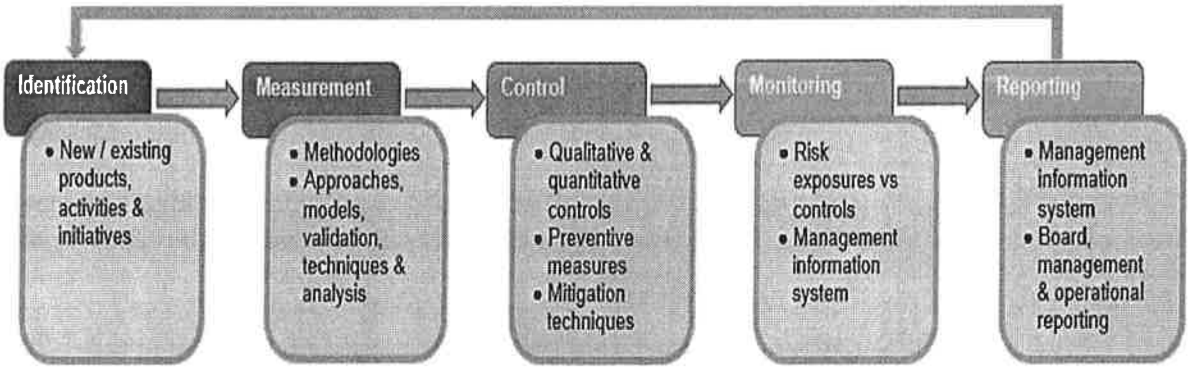
Risk management practices and processes are fundamental components of the risk principles. It is essential in enabling systematic identification, measurement, control, monitoring and reporting of risk exposures.

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 Company.

42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Management Practices and Processes (Contd.)

The 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 Company 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 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.

42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

System Infrastructure

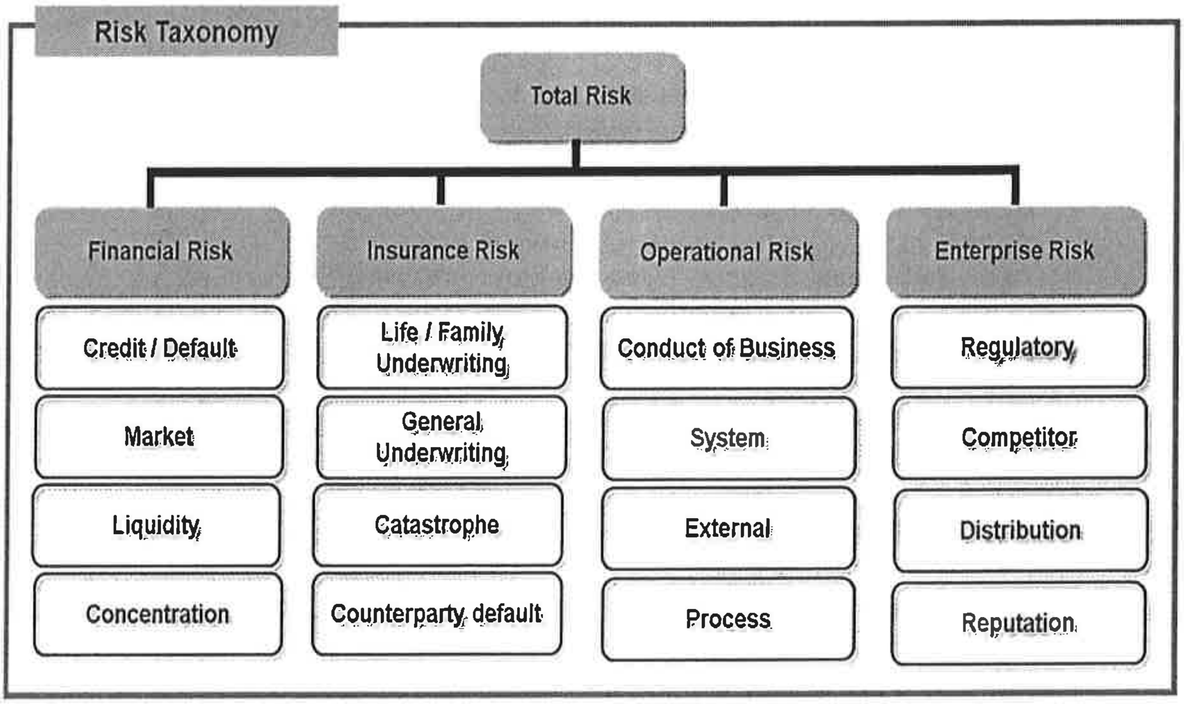
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

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

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

Risk Taxonomy

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



43. INSURANCE RISK

Insurance risk relates to the inherent risks associated with the underwriting activities of life and general businesses. Such risks include pricing, reserving, underwriting, catastrophe and reinsurance counterparty default. Analyses are performed to ensure that insurance risks are within the Company's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Reinsurance 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 companies are the counterparty risk of reinsurers failing to honor their obligations. The Company monitors the ability of all current and prospective reinsurers to meet their obligations under exceptional but plausible adverse events on a monthly basis.

The Company 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 Company's guidelines and standards.

(A) Life Insurance - discontinued operations

(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
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	137,877	-	137,877	123,531	-	123,531
Total	6,146,954	(29,570)	6,117,384	5,904,770	(21,322)	5,883,448

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

43. INSURANCE RISK (CONTD.)

(A) Life Insurance - discontinued operations (Contd.)

(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 MGS of the appropriate duration.

In the case of the total (guaranteed and non-guaranteed) 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.

(b) Mortality and morbidity rates

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

The Company bases mortality and morbidity on local established industry tables which reflect historical experiences 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 experience.

43. INSURANCE RISK (CONTD.)

(A) Life Insurance - discontinued operations (Contd.)

(ii) Key Assumptions (Contd.)

(c) Lapse and surrender rates

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

(d) Expenses

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

(iii) Sensitivity Analysis

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

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

2017	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit Before Tax RM'000	Impact on Equity RM'000
		<-------- Increase --------	-------->	<-------- Decrease --------	-------->
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)

43. INSURANCE RISK (CONTD.)

(A) Life Insurance - discontinued operations (Contd.)

(iii) Sensitivity Analysis (Contd.)

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit Before Tax RM'000	Impact on Equity RM'000
		<-------- Increase -------->		<-------- Decrease -------->	
2016					
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.

43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations

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

	<--- 2017		--->	<--- 2016		--->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Malaysia						
Motor	193,545	(7,535)	186,010	200,930	(7,481)	193,449
Fire	179,290	(101,567)	77,723	171,816	(99,182)	72,634
Marine, Aviation, Cargo and Transit	516,225	(499,540)	16,685	691,777	(677,867)	13,910
Miscellaneous	193,810	(79,503)	114,307	241,546	(112,149)	129,397
	1,082,870	(688,145)	394,725	1,306,069	(896,679)	409,390
Brunei						
Motor	-	1	1	2	(25)	(23)
Fire	-	13	13	56	(1,665)	(1,609)
Marine, Aviation, Cargo and Transit	-	-	-	-	(22)	(22)
Miscellaneous	310	(168)	142	444	(317)	127
	310	(154)	156	502	(2,029)	(1,527)
Singapore						
Fire	22,133	-	22,133	21,861	-	21,861
Total	1,105,313	(688,299)	417,014	1,328,432	(898,708)	429,724

43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations (Contd.)

(ii) Key Assumptions and Methods

The estimation of claims liabilities based on Bank Negara Malaysia's Risk-Based Capital Framework for Insurers requires all general insurance businesses to calculate 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.

Assume one-half of ULAE is incurred when opening a claim and one-half is incurred when closing the claim (called Classical Technique). 50% of the ULAE ratio is applied to case outstanding, and 100% of the ULAE ratio is applied to IBNR.

Unallocated loss adjustment expense	**2017**	**2016**
Malaysia - Unallocated loss adjustment expense ratio	5%	5%

43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations (Contd.)

(iii) Sensitivity Analysis

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

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

General Insurance	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
		<------------------ Increase/(decrease)			------------------>
2017					
Net Incurred Claims Ratio	+ 5%	56,007	20,710	(20,710)	(15,740)
	- 5%	(56,007)	(20,710)	20,710	15,740
2016					
Net Incurred Claims Ratio	+ 5%	74,463	23,706	(23,706)	(18,017)
	- 5%	(74,463)	(23,706)	23,706	18,017

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

43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations (Contd.)

(iv) Claims development table

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

43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

Accident year	Before 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
	<----------			As at 31 December				---------->	
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							
Estimate of gross cumulative claims (A)		369,778	656,948	559,641	3,318,451	677,394	427,229	650,926	
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							
Gross cumulative payments (B)		351,651	598,787	494,548	1,923,898	441,823	249,580	228,447	
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
ULAE									4,795
Best estimate of gross claim liabilities									2,532,128
PRAD									178,308
Gross Insurance Claim Liabilities as at 31 December 2017									2,710,436

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 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
	<------			As at 31 December				------>	
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							
Estimate of net cumulative claims (A)		236,211	260,463	270,775	238,975	244,085	227,268	206,015	
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							
Net cumulative payments (B)		233,369	252,483	259,964	225,251	220,400	183,464	95,787	
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									60,177
ULAE									4,795
Best estimate of net claim liabilities									282,995
PRAD									40,149
Net Insurance Claim Liabilities as at 31 December 2017									323,144

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
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43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Gross insurance Contract Liabilities

	Before	<------------	------------	------------	As at 31 December	------------	------------	------------>	
Accident year	**2010 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**Total 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							
Estimate of gross cumulative claims (A)		637,108	371,960	654,031	552,955	3,870,607	644,826	500,223	
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	115,349	
1 year later		324,251	247,258	359,755	307,101	1,383,292	382,244		
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							
Gross cumulative payments (B)		595,499	350,223	554,919	483,555	1,774,084	382,244	115,349	
Gross outstanding claim liabilities (A) - (B)	86,444	41,609	21,736	99,112	69,400	2,096,524	262,582	384,874	3,062,280
Gross outstanding claim liabilities for Brunei and Treaty Inward									69,449
ULAE									15,100
Best estimate of gross claim liabilities									3,146,829
PRAD									290,944
Gross Insurance Claim Liabilities as at 31 December 2016									3,437,773

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43. INSURANCE RISK (CONTD.)

(B) General Insurance - continuing operations (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

	Before	<----			As at 31 December			---->	
Accident year	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total 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							
Estimate of net cumulative claims (A)		255,325	238,372	261,799	273,160	246,969	249,573	248,567	
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	109,745	
1 year later		215,845	197,855	211,743	224,674	195,128	197,502		
2 years later		239,697	220,615	239,069	244,820	215,245			
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							
Net cumulative payments (B)		250,916	232,884	251,671	255,638	215,245	197,502	109,745	
Net outstanding claim liabilities (A) - (B)	4,057	4,409	5,488	10,128	17,521	31,724	52,071	138,822	264,220
Net outstanding claim liabilities for Brunei and Treaty Inward									67,639
ULAE									15,100
Best estimate of net claim liabilities									346,959
PRAD									41,654
Net Insurance Claim Liabilities as at 31 December 2016									388,613

44. 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- and off-balance sheet transactions.

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 assets 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 Company's exposure to credit risk arises mainly from fixed income

The Company 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 on impending problems in a timely manner.

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure

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

	2017					2016		
	Continuing Operations	Discontinued operations						
	General and Shareholder's Fund RM'000	Life Fund RM'000	Unit-Linked RM'000	Sub-total RM'000	Total RM'000	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000
AFS financial assets								
Malaysian government paper	92,715	-	-	-	92,715	185,339	-	185,339
Debt securities, structured products and NCDs	539,511	-	-	-	539,511	1,115,053	-	1,115,053
Equity securities	156,879	876,576	-	876,576	1,033,455	922,274	-	922,274
Unit and property trust funds	259	58,077	-	58,077	58,336	50,039	-	50,039
Financial assets at FVTPL								
(i) **Designated upon initial recognition**								
Malaysian government paper	-	240,275	-	240,275	240,275	238,233	-	238,233
Debt securities, structured products and NCDs	-	6,477,472	-	6,477,472	6,477,472	6,270,369	-	6,270,369
(ii) **HFT**								
Malaysian government paper	-	-	88,059	88,059	88,059	-	59,336	59,336
Debt securities, structured products and NCDs	-	-	244,689	244,689	244,689	-	277,113	277,113
Equity securities	-	-	912,914	912,914	912,914	-	677,761	677,761
Unit and property trust funds	-	-	53,031	53,031	53,031	-	19,805	19,805
LAR								
Fixed and call deposits	374,652	532,625	78,169	610,794	985,446	1,312,350	135,249	1,447,599
Financing receivables	30,672	208,797	-	208,797	239,469	248,266	-	248,266
Reinsurance assets	2,608,475	32,963	-	32,963	2,641,438	3,315,144	-	3,315,144
Insurance receivables	384,811	20,669	-	20,669	405,480	264,854	-	264,854
Other receivables	245,927	230,579	5,853	236,432	482,359	206,260	6,765	213,025
Derivative assets	606	2,230	-	2,230	2,836	-	-	-
Cash and bank balances	33,606	139,522	2,677	142,199	175,805	110,415	1,307	111,722
	4,468,113	8,819,785	1,385,392	10,205,177	14,673,290	14,238,596	1,177,336	15,415,932

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating

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

	Neither past-due nor impaired						
2017	**^A to AAA RM'000**	**^B to BBB RM'000**	**^Not Rated RM'000**	**Unit-linked RM'000**	**Past-due but not impaired RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
Continuing Operations							
AFS financial assets							
Malaysian government papers	-	-	92,715	-	-	-	92,715
Debt securities, structured products and NCDs	465,059	-	74,452	-	-	-	539,511
Equity securities	-	-	-	-	-	156,879	156,879
Unit and property trust funds	-	-	-	-	-	259	259
LAR							
Fixed and call deposits	374,652	-	-	-	-	-	374,652
Financing receivables	-	-	30,672	-	-	-	30,672
Reinsurance assets	1,466,465	57,853	861,050	-	-	223,107	2,608,475
Insurance receivables^^	839	-	358,278	-	25,694	-	384,811
Other receivables	9,647	1	179,743	-	-	56,536	245,927
Derivative assets	606	-	-	-	-	-	606
Cash and bank balances	33,479	-	127	-	-	-	33,606
	2,350,747	57,854	1,597,037	-	25,694	436,781	4,468,113

^ Based on ratings assigned by external rating agencies including RAM and MARC.
^^ Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "not rated" category.

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

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44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

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

	Neither past-due nor impaired						
2017	**^A to AAA RM'000**	**^B to BBB RM'000**	**^Not Rated RM'000**	**Unit-linked RM'000**	**Past-due but not impaired RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
Discontinued Operations							
AFS financial assets							
Equity securities	-	-	-	-	-	876,576	876,576
Unit and property trust funds	-	-	-	-	-	58,077	58,077
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	-	-	240,275	-	-	-	240,275
Debt securities, structured products and NCDs	4,571,632	-	1,905,840	-	-	-	6,477,472
(ii) **HFT**							
Malaysian government papers	-	-	-	88,059	-	-	88,059
Debt securities, structured products and NCDs	-	-	-	244,689	-	-	244,689
Equity securities	-	-	-	912,914	-	-	912,914
Unit and property trust funds	-	-	-	53,031	-	-	53,031
LAR							
Fixed and call deposits	532,625	-	-	78,169	-	-	610,794
Financing receivables	-	-	208,797	-	-	-	208,797
Reinsurance assets	1,863	-	31,100	-	-	-	32,963
Insurance receivables^^	228	-	16,052	-	4,389	-	20,669
Other receivables	163,861	-	28,927	5,853	-	37,791	236,432
Derivative assets	2,230	-	-	-	-	-	2,230
Cash and bank balances	138,988	-	534	2,677	-	-	142,199
	5,411,427	-	2,431,525	1,385,392	4,389	972,444	10,205,177

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

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

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

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44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

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

	Neither past-due nor impaired						
2016	**^A to AAA RM'000**	**^B to BBB RM'000**	**^Not Rated RM'000**	**Unit-linked RM'000**	**Past-due but not impaired RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
AFS financial assets							
Malaysian government papers	-	-	185,339	-	-	-	185,339
Debt securities, structured products and NCDs	723,700	-	391,353	-	-	-	1,115,053
Equity securities	-	-	-	-	-	922,274	922,274
Unit and property trust funds	-	-	-	-	-	50,039	50,039
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	-	-	238,233	-	-	-	238,233
Debt securities, structured products and NCDs	4,621,946	-	1,648,423	-	-	-	6,270,369
(ii) **HFT**							
Malaysian government papers	-	-	-	59,336	-	-	59,336
Debt securities, structured products and NCDs	-	-	-	277,113	-	-	277,113
Equity securities	-	-	-	677,761	-	-	677,761
Unit and property trust funds	-	-	-	19,805	-	-	19,805
Redeemable loan stocks	-	-	-	-	-	-	-
LAR							
Fixed and call deposits	1,312,350	-	-	135,249	-	-	1,447,599
Financing receivables	-	-	246,654	-	1,612	-	248,266
Reinsurance assets	1,815,490	77,973	1,180,935	-	-	240,746	3,315,144
Insurance receivables^^	5,006	5	223,523	-	36,320	-	264,854
Other receivables	90,718	-	4,571	6,765	-	110,971	213,025
Derivative assets	-	-	-	-	-	-	-
Cash and bank balances	109,791	-	624	1,307	-	-	111,722
	8,679,001	77,978	4,119,655	1,177,336	37,932	1,324,030	15,415,932

^ Based on ratings assigned by external rating agencies including RAM and MARC.
^^ Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "not rated" category.

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

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Quality of Financial Assets

	Past due but not impaired				Impaired			
	< 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000	Original carrying amount RM'000	Allowance for impairment RM'000	Net carrying amount RM'000	Total RM'000
2017								
Continuing Operations								
Financing receivables	-	-	-	-	5,354	(5,354)	-	-
Reinsurance assets	-	-	-	-	1,924	(1,924)	-	-
Insurance receivables	26,299	(687)	82	25,694	6,447	(6,447)	-	25,694
	26,299	(687)	82	25,694	13,725	(13,725)	-	25,694
2017								
Discontinued Operations								
Financing receivables	-	-	-	-	657	(657)	-	-
Insurance receivables	4,283	158	(52)	4,389	275	(275)	-	4,389
Other receivables	-	-	-	-	395	(395)	-	-
	4,283	158	(52)	4,389	1,327	(1,327)	-	4,389
2016								
Financing receivables	48	48	1,516	1,612	1,481	(1,481)	-	1,612
Reinsurance assets	-	-	-	-	529	(529)	-	-
Insurance receivables	33,899	1,762	659	36,320	9,917	(9,917)	-	36,320
Other receivables	-	-	-	-	367	(367)	-	-
	33,947	1,810	2,175	37,932	12,294	(12,294)	-	37,932

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account

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

	Financing receivables RM'000 (Note 11)	Reinsurance assets RM'000 (Note 12)	Insurance receivables RM'000 (Note 13)	Other receivables RM'000 (Note 14)	Total RM'000
2017					
Individual allowance					
At 1 January 2017	1,481	529	7,386	367	9,763
Allowance made/(reversed) during the year	4,530	1,395	(1,697)	32	4,260
Reclassification	-	-	-	(4)	(4)
Attributable to disposal group held for sale (Note 16)	(657)	-	-	(395)	(1,052)
At 31 December 2017	5,354	1,924	5,689	-	12,967
Collective allowance					
At 1 January 2017	-	-	2,531	-	2,531
Allowance made during the year	-	-	(1,498)	-	(1,498)
Attributable to disposal group held for sale (Note 16)	-	-	(275)	-	(275)
At 31 December 2017	-	-	758	-	758
Total as at 31 December 2017	5,354	1,924	6,447	-	13,725

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account (Contd.)

	Financing receivables RM'000 (Note 11)	Reinsurance assets RM'000 (Note 12)	Insurance receivables RM'000 (Note 13)	Other receivables RM'000 (Note 14)	Total RM'000
2016					
Individual allowance					
At 1 January 2016	2,252	3,423	10,677	403	16,755
Allowance made/(reversed) during the year	(771)	(2,894)	(3,291)	(36)	(6,992)
At 31 December 2016	1,481	529	7,386	367	9,763
Collective allowance					
At 1 January 2016	-	-	8,647	-	8,647
Allowance made during the year	-	-	(6,116)	-	(6,116)
At 31 December 2016	-	-	2,531	-	2,531
Total as at 31 December 2016	1,481	529	9,917	367	12,294

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Financial Effects of Collateral Held

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

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

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 98% as at 31 December 2017 (2016: 98%). The financing receivables amounting to RM228,902,820 as at 31 December 2017 (2016: RM240,898,166) are collateralised.

The remaining balance of financing receivables are not collateralised.

(ii) Liquidity Risk

Liquidity risk is the risk of an adverse impact to the Company'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.

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

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

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

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

Maturity Profiles

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

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

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

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2017						
Continuing operations						
Financial assets:						
AFS	789,364	158,703	363,831	339,992	157,138	1,019,664
LAR	374,652	374,652	-	-	-	374,652
Financing receivables	30,672	4,676	13,973	27,593	380	46,622
Reinsurance assets*	2,385,368	1,677,736	709,437	118	-	2,387,291
Insurance receivables	384,811	384,811	-	-	-	384,811
Other receivables	245,927	245,927	-	-	-	245,927
Derivative assets	606	606	-	-	-	606
Cash and bank balances	33,606	33,606	-	-	-	33,606
Total assets	4,245,006	2,880,717	1,087,241	367,703	157,518	4,493,179
Insurance contract liabilities*	2,710,436	1,897,471	811,803	1,162	-	2,710,436
Subordinated obligation	500,000	20,650	82,600	510,325	-	613,575
Insurance payables	318,382	318,382	-	-	-	318,382
Other payables	59,661	59,661	-	-	-	59,661
Interest payable on subordinated obligation	10,119	10,119	-	-	-	10,119
Total liabilities	3,598,598	2,306,283	894,403	511,487	-	3,712,173

* Excluding premium liabilities

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).

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44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2017						
Discontinued operations						
Financial assets:						
AFS	934,653	-	-	-	934,653	934,653
FVTPL	8,016,440	872,760	2,441,589	8,412,504	-	11,726,853
LAR	610,794	610,794	-	-	-	610,794
Financing receivables	208,797	208,797	-	-	-	208,797
Reinsurance assets	32,963	7,430	12,253	24,573	-	44,256
Insurance receivables	20,669	20,669	-	-	-	20,669
Other receivables	236,432	236,432	-	-	-	236,432
Derivative assets	2,230	2,230	-	-	-	2,230
Cash and bank balances	142,199	142,199	-	-	-	142,199
Total assets	10,205,177	2,101,311	2,453,842	8,437,077	934,653	13,926,883
Insurance contract liabilities	8,193,491	1,829,789	960,361	10,737,486	-	13,527,636
Derivative liabilities	25,791	12,351	13,440	-	-	25,791
Insurance payables	15,281	15,281	-	-	-	15,281
Other payables	366,453	366,453	-	-	-	366,453
Total liabilities	8,601,016	2,223,874	973,801	10,737,486	-	13,935,161

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).

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2016						
Financial assets:						
AFS	2,272,705	62,668	678,001	1,349,089	972,313	3,062,071
FVTPL	7,542,617	661,312	2,801,400	7,349,224	697,566	11,509,502
LAR	1,447,599	1,447,599	-	-	-	1,447,599
Financing receivables	248,266	218,355	12,729	21,815	-	252,899
Reinsurance assets*	3,074,398	2,112,353	928,712	37,936	-	3,079,001
Insurance receivables	264,854	264,854	-	-	-	264,854
Other receivables	213,025	213,025	-	-	-	213,025
Cash and bank balances	111,722	111,722	-	-	-	111,722
Total assets	15,175,186	5,091,888	4,420,842	8,758,064	1,669,879	19,940,673
Insurance contract liabilities*	11,353,561	4,252,102	2,159,244	9,896,028	-	16,307,374
Subordinated obligation	500,000	20,650	82,600	541,300	-	644,550
Derivative liabilities	56,603	16,247	40,356	-	-	56,603
Insurance payables	299,694	299,694	-	-	-	299,694
Other payables	333,296	333,296	-	-	-	333,296
Interest payable on subordinated obligation	10,120	10,120	-	-	-	10,120
Total liabilities	12,553,274	4,932,109	2,282,200	10,437,328	-	17,651,637

* Excluding premium liabilities

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).

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market risk is the risk of loss or of adverse change in the Company'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 (currency risk);
(b) Market interest rates/profit yields (interest rate risk); and
(c) Equity price risk

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

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

(b) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policy after taking cognisance of regulatory requirements in respect of maintenance of assets and solvency; and

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked policies in a number of its products. In the investment-linked business, the policyholder bears the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

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

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(a) Currency Risk

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

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

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

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

(b) Interest Rate Risk

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

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

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Interest Rate Risk (Contd.)

The Company measures and manages the interest rate risk mainly based on the following three philosophies and principles.

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

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

	2017				2016	
	Continuing operations		Discontinued operations			
Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
	(Decrease)/increase		(Decrease)/increase		(Decrease)/increase	
+100 basis points	-	(26,058)	(265,648)	(201,893)	(239,912)	(258,630)
-100 basis points	-	26,058	265,648	201,893	239,912	258,630

* Impact on equity is after tax at the statutory tax rate

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(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 risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

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

The Company'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.

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

		<------2017------>				<------2016------>	
		Continuing operations		Discontinued operations			
Market Index	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		(Decrease)/increase		(Decrease)/increase		(Decrease)/increase	
Bursa Malaysia	+10%	-	11,943	-	36,417	-	44,463
	-10%	-	(11,943)	-	(36,417)	-	(44,463)

* Impact on equity is after tax at the statutory tax rate

44. FINANCIAL RISKS (CONTD.)

(iv) Concentration Risk

Concentration risk refers to the risk associated with the potential losses that are substantial enough to threaten the financial condition of the Business and its core operations causing material adverse impact to the earnings, capital or total assets. Risk concentration can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector.

This covers exposure to too high concentration in any type of Market Risk, Credit Risk or Liquidity Risk. Concentration risk relates to non-diversified portfolios and arises due to high exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

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

45. OPERATIONAL RISK

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

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

Some examples of operational incidents include:

- Misappropriation of investments, due to fraud, an illegal act, malicious intent, spite, terrorism;

- Disruption or failure of IT systems and infrastructure, which may be used for monitoring, execution, administration;

- Inaccurate calculations due to data quality or errors, methodology flaws, miscalculations; and

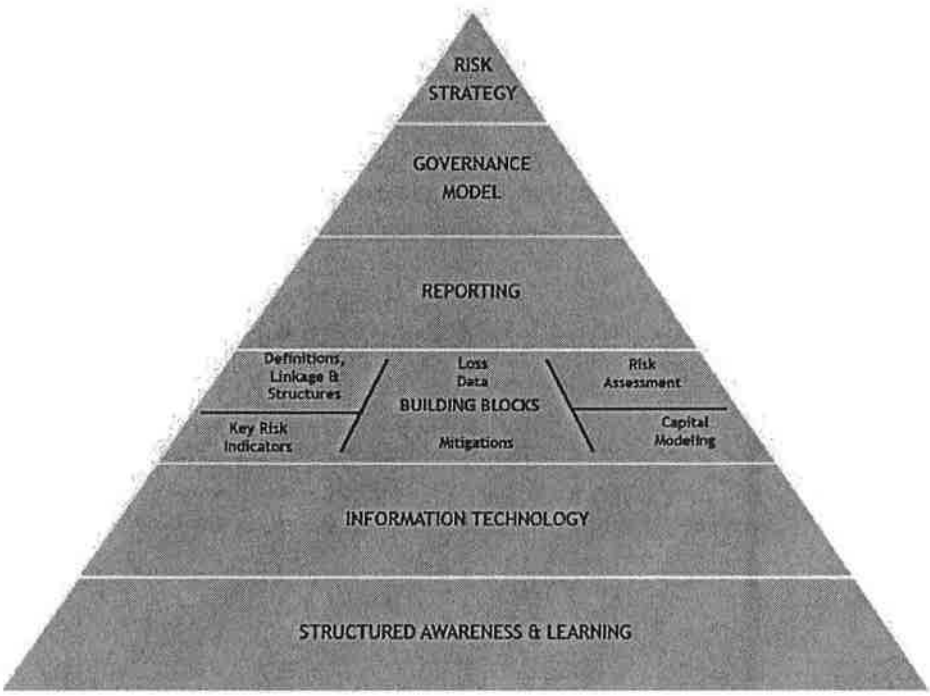
- Inaccurate or incomplete controls.

45. OPERATIONAL RISK (CONTD.)

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

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

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



Enterprise Risk

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

46. FAIR 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 Company 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 Company 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 Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Company 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.

46. 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 into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

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

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

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

  Examples of level 2 financial instruments include corporate and government bonds, less liquid equities and over-the-counter ("OTC") derivatives.

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

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

  Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

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

46. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques (Contd.)

(iii) Insurance receivables and payables

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

(iv) Investments

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

(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.

46. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy

	Valuation techniques used: Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	Total RM'000
2017				
Continuing operations				
Assets				
Investment properties	-	-	112,734	112,734
AFS financial assets				
Equity securities	111,377	-	-	111,377
Malaysian government papers	-	92,715	-	92,715
Debt securities, structured products and NCDs	-	539,511	-	539,511
Unit and property trust funds	259	-	-	259
Derivative assets	-	606	-	606
Total assets	111,636	632,832	112,734	857,202

46. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (Contd.)

	Valuation techniques used: Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	Total RM'000
2017				
Discontinued operations				
Assets				
Investment properties	-	-	474,500	474,500
AFS financial assets				
Equity securities	869,827	-	-	869,827
Unit and property trust funds	58,077	-	-	58,077
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	240,275	-	240,275
Debt securities, structured products and NCDs	-	6,477,472	-	6,477,472
(ii) HFT				
Equity securities	912,914	-	-	912,914
Malaysian government papers	-	88,059	-	88,059
Debt securities, structured products and NCDs	-	244,689	-	244,689
Unit and property trust funds	53,031	-	-	53,031
Derivative assets	-	2,230	-	2,230
Total assets	1,893,849	7,052,725	474,500	9,421,074
Liabilities				
Derivative liabilities	-	(25,791)	-	(25,791)
Total liabilities	-	(25,791)	-	(25,791)

46. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (Contd.)

	Valuation techniques used: Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	Total RM'000
2016				
Assets				
Investment properties	-	-	677,194	677,194
AFS financial assets				
Equity securities	870,023	-	-	870,023
Malaysian government papers	-	185,339	-	185,339
Debt securities, structured products and NCDs	-	1,042,388	72,665	1,115,053
Unit and property trust funds	50,039	-	-	50,039
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	238,233	-	238,233
Debt securities, structured products and NCDs	-	6,208,469	61,900	6,270,369
(ii) HFT				
Equity securities	677,761	-	-	677,761
Malaysian government papers	-	59,336	-	59,336
Debt securities, structured products and NCDs	-	277,113	-	277,113
Unit and property trust funds	19,805	-	-	19,805
Total assets	1,617,628	8,010,878	811,759	10,440,265
Liabilities				
Derivative liabilities	-	(56,603)	-	(56,603)
Total liabilities	-	(56,603)	-	(56,603)

Unquoted equities securities of RM52,251,154 (2016: RM52,251,154) as disclosed in Note 9 and IPUC of RM 161,208,912 (2016: RM76,691,493) as disclosed in Note 4 are not included in the above analysis as they are carried at cost.

46. FAIR VALUE MEASUREMENTS (CONTD.)

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2017.

(e) Movements of Level 3 instruments

	Investment Properties	Financial instruments measured at fair value	
		AFS	Designated at FVTPL
2017	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017	677,194	72,665	61,900
Recognised in the income statement:			
Realised gain	-	3,187	2,715
Fair value gain	1,930	-	(16,662)
Recognised in other comprehensive income as fair value gain	-	(19,560)	-
Disposal/sales	(91,890)	(56,292)	(47,953)
Attributable to assets held for sale (Note 4)	(474,500)	-	-
At 31 December 2017	112,734	-	-
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting period	1,930	3,187	(13,947)
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	-	(19,560)	-

46. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 instruments (Contd.)

	Investment Properties	Financial instruments measured at fair value	
		AFS	Designated at FVTPL
2016	**RM'000**	**RM'000**	**RM'000**
At 1 January 2016	668,244	73,241	62,391
Recognised in the income statement:			
Realised gain	-	335	285
Fair value gain	8,950	-	326
Recognised in other comprehensive income as fair value gain	-	382	-
Sales	-	(1,293)	(1,102)
At 31 December 2016	677,194	72,665	61,900
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting period	8,950	335	611
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	-	382	-

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

The Company's exposure to financial instruments measured with valuation techniques using significant unobservable inputs comprised a small number of financial instruments which constitute an insignificant component of the Company's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

46. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions (Contd.)

All investment properties of the Company carried at fair values were classified under Level 3. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold, adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates. Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

47. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2017 and 31 December 2016, as prescribed under the RBC Framework, are provided below:

	2017 RM'000	2016 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	169,879	152,151
Reserves, including retained earnings	4,377,855	4,713,291
	4,547,734	4,865,442
Tier 2 Capital		
Revaluation reserve	1,073	11,647
Available-for-sale reserves	(12,867)	70,969
Subordinated term debts	500,000	500,000
Currency translation reserve	13,647	14,843
	501,853	597,459
Amount deducted from Capital	(108,514)	(96,789)
Total Capital Available	4,941,073	5,366,112

48. SIGNIFICANT EVENTS

(a) Closure of Brunei branch

On 31 October 2016, the closure of the Company's Brunei branch office was completed and updated in the Financial Institutions Corporate Profile System ("FICPS") of BNM.

In accordance to advice by Autoriti Monetari Brunei Darussalam, the branch will continue to be registered under the local Insurance Order. It shall cease to be registered under the Insurance Order and the Registrar of Companies after the limitation period of 6 years for any potential claims against the branch has expired.

During this run-off period, the Company has appointed a local authorised representative to transact on behalf of the branch, including to accept notices, claims and settlement of claims, deal with any queries with regards to the insurance policies issued by the Company and generally to serve as a contact point for the relevant authorities.

(b) Compulsory acquisition of Investment Land

On 17 November 2017, the Company 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.

49. SUBSEQUENT EVENT

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 Takaful Operator and a licensed Insurer 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 Insurance/Family Takaful business or a General Insurance/Takaful

A composite licensed Insurer and a composite licensed 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.

49. SUBSEQUENT EVENT (CONTD.)

Conversion of Composite Licences to Single Licences ("Licence Split") (Contd.)

On 10 August 2016, Etiqa Insurance Berhad's ("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's ("ETB") Board approved the 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.

On 15 August 2016, the Maybank Ageas Holdings Berhad's ("MAHB") Board approved the decisions made by the EIB Board and ETB Board as described 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") - the new name proposed for EIB
(ii) Etiqa Family Takaful Berhad ("EFTB") - the new name proposed for ETB
(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 four (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 Licence Split was successfully completed. Subsequently, EIB and ETB were renamed to EGIB and EFTB respectively.

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

50. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Company		Shareholder's and General Fund		Life Fund (Note 16)	
	2017	2016	2017 Continuing operations	2016	2017 Discontinued operations	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets:						
Property, plant and equipment	46,456	112,942	46,456	50,418	63,908	62,524
Investment properties	112,734	753,885	112,734	95,344	635,708	658,541
Prepaid land lease payments	7,132	18,964	7,132	7,359	11,424	11,605
Intangible assets	40,886	61,789	40,886	39,407	29,653	22,382
Investment in associate	152	152	152	152	-	-
Investments	1,164,016	11,262,921	1,164,016	1,968,704	9,561,887	9,294,217
Financing receivables	30,672	248,266	30,672	34,925	208,797	213,341
Reinsurance assets	2,608,475	3,315,144	2,608,475	3,289,377	32,963	25,767
Insurance receivables	384,811	264,854	384,811	244,113	20,669	20,741
Other receivables	245,927	213,025	245,927	76,318	236,432	136,707
Derivative assets	606	-	606	-	2,230	-
Deferred tax assets, net	2,101	-	2,101	-	-	-
Current tax assets	812	51,545	812	43,042	-	8,503
Cash and bank balances	33,606	111,722	33,606	38,434	142,199	73,288
	4,678,386	16,415,209	4,678,386	5,887,593	-	10,527,616
Assets classified as held for sale (Note 16)	10,945,870	-	-	-	10,945,870	-
Total Assets	15,624,256	16,415,209	4,678,386	5,887,593	10,945,870	10,527,616

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
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50. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Company		Shareholder's and General Fund		Life Fund (Note 16)	
	2017	2016	2017 Continuing operations	2016	2017 Discontinued operations	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Equity and liabilities:						
Share capital	169,879	152,151	169,879	152,151	-	-
Reserves	497,825	2,696,740	497,825	2,696,740	-	-
Reserves directly associated with assets classified as held for sale (Note 16)	1,766,198	-	-	-	1,766,198	-
Total Equity	2,433,902	2,848,891	667,704	2,848,891	1,766,198	-
Insurance contract liabilities	3,122,520	11,780,468	3,122,520	3,864,680	8,193,491	7,915,788
Subordinated obligation	500,000	500,000	500,000	500,000	-	-
Derivative liabilities	-	56,603	-	-	25,791	56,603
Deferred tax liabilities, net	-	586,137	-	557,963	578,656	28,174
Insurance payables	318,382	299,694	318,382	289,000	15,281	10,694
Other payables[1]	59,661	333,296	59,661	(2,183,061)	366,453	2,516,357
Interest payable for subordinated obligation	10,119	10,120	10,119	10,120	-	-
	4,010,682	13,566,318	4,010,682	3,038,702	-	10,527,616

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

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

50. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Company		Shareholder's and General Fund		Life Fund (Note 16)	
	2017	2016	2017 Continuing operations	2016	2017 Discontinued operations	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Equity and liabilities (Contd.):</u>						
Liabilities directly associated with assets classified as held for sale (Note 16)	9,179,672	-	-	-	9,179,672	-
Total Liabilities	13,190,354	13,566,318	4,010,682	3,038,702	9,179,672	10,527,616
Total Equity and Liabilities	15,624,256	16,415,209	4,678,386	5,887,593	10,945,870	10,527,616
Inter fund balances	-	-	57,358	(2,264,185)	(57,358)	2,264,185

ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(Incorporated in Malaysia)

50. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Company		Shareholder's Fund		General Fund		Life Fund (Note 16)	
	2017	2016	2017	2016	2017	2016	2017	2016
			Continuing operations		Continuing operations		Discontinued operations	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	1,206,089	2,933,398	69,385	55,355	1,136,704	1,361,546	1,837,080	1,516,497
Gross earned premiums	1,120,136	2,564,001	-	-	1,120,136	1,489,266	1,383,884	1,074,735
Earned premiums ceded to reinsurers	(705,938)	(1,036,675)	-	-	(705,938)	(1,015,142)	(23,683)	(21,533)
Net earned premiums	414,198	1,527,326	-	-	414,198	474,124	1,360,201	1,053,202
Fee and commission income	57,294	76,187	-	-	57,294	73,932	3,098	2,255
Investment income	100,776	530,231	69,385	55,355	31,391	33,114	453,196	441,762
Realised gains	101,822	92,566	88,835	2,250	12,987	32,277	245,710	58,039
Fair value (losses)/gains	886	37,282	80	(1,732)	806	5,989	69,652	33,025
Other operating (expenses)/income, net^	(4,689)	(2,295)	(8,706)	(9,001)	4,017	8,356	(74,822)	(3,877)
Other revenue	256,089	733,971	149,594	46,872	106,495	153,668	696,834	531,204
Gross benefits and claims paid^	(784,843)	(2,539,603)	-	-	(784,843)	(889,062)	(1,236,272)	(1,648,314)
Claims ceded to reinsurers	555,304	654,117	-	-	555,304	636,987	12,848	17,130
Gross change in contract liabilities	727,337	410,421	-	-	727,337	(85,868)	(327,870)	496,289
Change in contract liabilities ceded to reinsurers	(661,868)	156,520	-	-	(661,868)	152,892	7,196	3,628
Net benefits and claims	(164,070)	(1,318,545)	-	-	(164,070)	(185,051)	(1,544,098)	(1,131,267)
Management expenses	(158,110)	(269,797)	(7,613)	(10,772)	(150,497)	(144,998)	(123,173)	(114,027)
Fee and commission expenses	(80,188)	(171,964)	-	-	(80,188)	(93,413)	(104,490)	(78,551)
Interest on subordinated obligation	(20,650)	(20,643)	(20,650)	(20,643)	-	-	-	-
Taxation borned by policyholders	-	(36,461)	-	-	-	-	(47,740)	(36,461)
Other expenses	(258,948)	(498,865)	(28,263)	(31,415)	(230,685)	(238,411)	(275,403)	(229,039)
Surplus for the year	247,269	443,887	121,331	15,457	125,938	204,330	237,534	224,100
Taxation	(69,981)	(93,980)	(39,453)	5,326	(30,528)	(47,631)	(48,646)	(51,675)
Net profit for the year for continuing operations	177,288	177,482	81,878	20,783	95,410	156,699		
Net profit for the year for discontinued operations	188,888	172,425					188,888	172,425
Net profit for the year	366,176	349,907	81,878	20,783	95,410	156,699	188,888	172,425
Surplus transfer (net of tax) from:								
- General Funds	-	-	95,410	156,699	(95,410)	(156,699)	-	-
- Life Par Funds	-	-	12,118	(330)	-	-	(12,118)	330
- Life Non-Par Funds	-	-	176,770	172,755	-	-	(176,770)	(172,755)
Net profit for the year	366,176	349,907	366,176	349,907	-	-	-	-

^ The previous 2016 figures at company level have taken into consideration an inter fund elimination of RM2,227,074

50. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Company		Shareholder's Fund		General Fund		Life Fund (Note 16)	
	2017	2016	2017 Continuing operations	2016	2017 Continuing operations	2016	2017 Discontinued operations	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:								
Operating activities	559,025	175,241	108,667	310,865	(136,103)	(95,455)	586,461	(40,169)
Investing activities	275,708	82,554	662,827	(90,194)	130,431	100,993	(517,550)	71,755
Financing activities	(770,650)	(220,729)	(770,650)	(220,729)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	64,083	37,066	844	(58)	(5,672)	5,538	68,911	31,586
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial year	111,722	74,656	2,722	2,780	35,712	30,174	73,288	41,702
Attributable to disposal group held for sale (Note 16)	(142,199)	-	-	-	-	-	(142,199)	-
Cash and cash equivalents at end of financial year	33,606	111,722	3,566	2,722	30,040	35,712	-	73,288