



ETIQA GENERAL INSURANCE BERHAD
(Formerly known as Etiqa Insurance Berhad)
(9557 T)
(Incorporated in Malaysia)

Unaudited Interim Financial Statements
for the six months period ended 30 June 2018

9557 T

ETIQA GENERAL INSURANCE BERHAD
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CONTENTS	PAGES
Unaudited Condensed Interim Statements of Financial Position	1
Unaudited Condensed Interim Income Statement	2
Unaudited Condensed Interim Statement of Comprehensive Income	3
Unaudited Condensed Interim Statement of Changes in Equity	4
Unaudited Condensed Interim Statement of Cash Flows	5 - 6
Notes to the Unaudited Condensed Interim Financial Statements	7 - 36

ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30.6.2018 RM'000	31.12.2017 RM'000
Assets:			
Property, plant and equipment		42,722	46,456
Investment properties		112,734	112,734
Prepaid land lease payments		7,070	7,132
Intangible assets		40,921	40,886
Investment in associate		152	152
Investments	13	1,626,070	1,164,016
Financing receivables		30,671	30,672
Reinsurance assets	14	2,758,758	2,608,475
Insurance receivables		322,467	384,811
Other receivables		112,471	245,927
Derivative assets		1,252	606
Deferred tax assets, net		-	2,101
Current tax assets		14,803	812
Cash and bank balances		37,564	33,606
		<u>5,107,655</u>	<u>4,678,386</u>
Assets classified as held for sale	22	-	10,945,870
Total Assets		<u>5,107,655</u>	<u>15,624,256</u>
Equity and liabilities:			
Share capital		169,879	169,879
Reserves		550,976	497,825
Reserves directly associated with assets classified as held for sale	22	-	1,766,198
Total Equity		<u>720,855</u>	<u>2,433,902</u>
Insurance contract liabilities	15	3,266,663	3,122,520
Subordinated obligations		500,000	500,000
Deferred tax liabilities, net		5,531	-
Insurance payables		393,854	318,382
Other payables		210,800	59,661
Interest payable for subordinated obligation		9,952	10,119
Liabilities directly associated with assets classified as held for sale	22	-	9,179,672
Total Liabilities		<u>4,386,800</u>	<u>13,190,354</u>
Total Equity and Liabilities		<u>5,107,655</u>	<u>15,624,256</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Note	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Operating revenue		<u>691,964</u>	<u>725,439</u>
Gross earned premiums		532,240	562,426
Earned premiums ceded to reinsurers		<u>(328,050)</u>	<u>(355,791)</u>
Net earned premiums		<u>204,190</u>	<u>206,635</u>
Fee and commission income		33,472	34,489
Investment income		32,576	61,159
Realised gains		725	31,014
Fair value loss		(10,334)	-
Other operating income/(expenses)		<u>10,179</u>	<u>(2,354)</u>
Other revenue		<u>66,618</u>	<u>124,308</u>
Gross benefits and claims paid		(255,317)	(259,626)
Claims ceded to reinsurers		147,073	151,878
Gross change to contract liabilities		(16,995)	165,700
Change in contract liabilities ceded to reinsurers		<u>34,183</u>	<u>(136,702)</u>
Net benefits and claims		<u>(91,056)</u>	<u>(78,750)</u>
Management expenses		(79,312)	(82,436)
Fee and commission expenses		(44,178)	(43,407)
Interest on subordinated obligation		<u>(10,244)</u>	<u>(10,244)</u>
Other expenses		<u>(133,734)</u>	<u>(136,087)</u>
Profit before tax from continuing operations		46,018	116,106
Taxation		<u>(14,826)</u>	<u>(30,331)</u>
Net profit for the period from continuing operations		31,192	85,775
Discontinued operations:			
Net profit from discontinued operations	22	-	115,339
Net profit for the period		<u>31,192</u>	<u>201,114</u>
Earnings per share (sen) from operations			
- Continuing operations		20.50	32.52
- Discontinued operations		-	99.66

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements.

ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	1.1.2018	1.1.2017
	to	to
	30.6.2018	30.6.2017
	RM'000	RM'000
Net profit for the period	31,192	201,114
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to income statement		
Change in value of Fair Value Through Other Comprehensive Income ("FVOCI")/ Available for Sale ("AFS") financial assets, net		
- Fair value changes	(2,570)	6,981
- Transfer to profit or loss upon disposal	(552)	(30,793)
Tax effect relating to FVOCI/AFS financial assets	748	8,109
	(2,374)	(15,703)
Currency translation	(711)	264
Other comprehensive loss from continuing operations for the period, net of tax	(3,085)	(15,439)
Other comprehensive loss from discontinued operations for the period, net of tax	-	(9,724)
Total comprehensive income for the period	28,107	175,951
Comprising of:		
- Continuing operations	28,107	34,035
- Discontinued operations	-	141,916
	28,107	175,951

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UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	←-----Non-distributable-----→					Retained Earnings			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	FVOCI/AFS Reserves RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-Par Fund Surplus RM'000	Retained Profits RM'000	Sub-total Retained Earnings RM'000	
As at 1.1.2018	169,879	-	(5,263)	1,073	13,647	-	488,368	488,368	667,704
Effect of adopting MFRS 9	-	-	1,466	-	-	-	23,578	23,578	25,044
As at 1.1.2018 (restated)	169,879	-	(3,797)	1,073	13,647	-	511,946	511,946	692,748
Net profit for the period	-	-	-	-	-	-	31,192	31,192	31,192
Other comprehensive losses for the period	-	-	(2,374)	-	(711)	-	-	-	(3,085)
Total comprehensive income/ (losses) for the period	-	-	(2,374)	-	(711)	-	31,192	31,192	28,107
As at 30.6.2018	169,879	-	(6,171)	1,073	12,936	-	543,138	543,138	720,855

	←-----Non-distributable-----→					Retained Earnings			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	AFS Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-Par Fund Surplus RM'000	Retained Profits RM'000	Sub-total Retained Earnings RM'000	
As at 1.1.2017	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 period	-	-	-	-	-	120,114	81,000	201,114	201,114
Other comprehensive income/ (losses) for the period	-	-	(25,427)	-	264	-	-	-	(25,163)
Total comprehensive income/ (losses) for the period	-	-	(25,427)	-	264	120,114	81,000	201,114	175,951
Transfer to share capital	17,728	(17,728)	-	-	-	-	-	-	-
Transfer from revaluation reserves upon disposal	-	-	-	(234)	-	-	234	234	-
Dividend on ordinary shares	-	-	-	-	-	-	(169,999)	(169,999)	(169,999)
As at 30.6.2017	169,879	-	(3,202)	11,413	15,107	1,839,197	822,449	2,661,646	2,854,843

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ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	1.1.2018	1.1.2017
	to	to
	30.6.2018	30.6.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- Continuing operations	46,018	116,106
- Discontinued operations	-	151,640
	<u>46,018</u>	<u>267,746</u>
Adjustments for:		
Taxation borne by policyholders	-	28,549
Depreciation of property, plant and equipment	1,961	4,805
Amortisation of intangible assets	3,016	3,875
Fair value loss on financial assets at fair value through profit and loss ("FVTPL")	10,333	(49,078)
Amortisation of prepaid land lease payments	62	152
Amortisation of premium on investments	340	3,363
Gain on disposal of property, plant and equipment	(4,034)	-
Gain on disposal of investment properties	-	(223)
Net loss on foreign exchange	623	18,050
Allowance of impairment of reinsurance assets	-	1,495
Write back of impairment of insurance receivables	(5,251)	(1,321)
Bad debt (recovered)/written off	(223)	1,075
Write back for impairment of other receivables	-	(71)
(Write back)/allowance of impairment of financing receivables	(16)	1,662
Net loss/(gain) on disposal of investments	3,309	(187,860)
Interest income	(27,326)	(257,255)
Interest expense	10,244	10,244
Allowance of impairment on investments	105	1,696
Gross dividend income	(1,216)	(22,358)
Rental income	(5,857)	(21,910)
Gain/(loss) from operations before changes in operating assets and liabilities	<u>32,088</u>	<u>(197,364)</u>
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(150,283)	35,717
Decrease/(increase) in insurance receivables	66,018	(10,602)
Decrease/(increase) in other receivables	155,674	(1,924)
Decrease in financing receivables	-	6,701
Decrease in amount due to related parties	106,484	416
Increase in other payables	31,176	72,578
Increase/(decrease) in insurance contract liabilities	144,143	(47,094)
Increase in insurance payables	75,472	27,380
(Increase)/decrease in financial assets at amortised costs ("AC")/loan and receivables ("LAR")	<u>(225,998)</u>	<u>67,380</u>
Carried forward	<u>234,774</u>	<u>(46,812)</u>

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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTD.)

	1.1.2018	1.1.2017
	to	to
	30.6.2018	30.6.2017
	RM'000	RM'000
Brought forward	234,774	(46,812)
Interest income received	19,161	260,510
Dividend income received	1,091	20,791
Rental income received	5,286	22,191
Currency translation reserves	(711)	264
Tax paid	(28,333)	(54,894)
Net cash generated from operating activities	<u>231,268</u>	<u>202,050</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	900,524	4,292,489
Purchase of investments	(1,120,180)	(4,369,511)
Proceeds from disposal of property, plant and equipment	7,034	-
Purchase of property, plant and equipment	(1,228)	(3,051)
Proceeds from disposal of investment properties	-	1,113
Addition to investment properties under constructions ("IPUC")	-	(30,180)
Proceeds from disposal of intangible assets	-	34
Purchase of intangible assets	(3,050)	(8,676)
Net cash used in investing activities	<u>(216,900)</u>	<u>(117,782)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid for subordinated obligation	(10,410)	(10,410)
Net cash used in financing activity	<u>(10,410)</u>	<u>(10,410)</u>
Net increase in cash and cash equivalents	3,958	73,858
Cash and cash equivalents at beginning of period	<u>33,606</u>	<u>111,722</u>
Cash and cash equivalents at end of period	<u>37,564</u>	<u>185,580</u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	37,564	48,927
Life insurance fund	-	136,653
	<u>37,564</u>	<u>185,580</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

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.

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

2. BASIS OF PREPARATION

The unaudited interim financial statements of the Company for the interim financial period ended 30 June 2018 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 - *Interim Financial Reporting* as issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* as issued by International Accounting Standards Board ("IASB") and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The unaudited interim financial statements of the Company have been prepared on a historical cost basis, except for certain financial assets and financial liabilities that are stated at fair value.

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2017.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2017.

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

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

The unaudited interim financial statements was approved for issue by the Board of Directors on 21 August 2018.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES

The audited annual financial statements of the Company for the financial year ended 31 December 2017 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The significant accounting policies adopted in preparing these unaudited interim financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 December 2017 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2018:

MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

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

Transfer to Investment Property (Amendments to MFRS 140)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRSs 2014-2016 Cycle:

(i) Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

(ii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures*

The adoption of the above new MFRSs, amendments to MFRSs, IC Interpretation and annual improvements to MFRSs do not have any significant financial impact to the Company's financial statements, except for as disclosed below:

MFRS 9 *Financial Instruments*

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and insurance contract liabilities as at 1 January 2018.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments* (Contd.)

The adoption of MFRS 9 resulted in the following changes to the Company's accounting policies:

(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.

At initial recognition, each financial assets will be classified as either amortised cost, FVOCI, or FVTPL as summarised in below table:

Amortised Cost	Fair Value	
	FVOCI	FVTPL
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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). 	<ul style="list-style-type: none"> • 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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments* (Contd.)

(ii) Impairment

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

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

- Determining a significant increase in credit risk since initial recognition

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

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (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 Maybank's research arm, Maybank Kim Eng ("MKE"). In addition, the MKE Research's assumptions and analysis would also be based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Overall, the Company anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification Company's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (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 adopted 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.

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.

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FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these unaudited interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2017 except for the measurement of expected credit loss under MFRS 9 which involves increased complexity and judgement as disclosed in Note 3.

5. AUDITOR'S REPORT ON STATUS OF AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 did not contain any qualification.

6. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period ended 30 June 2018.

However, as is common for insurer, surplus for life funds will only be transferred at the financial year end upon approval by the Appointed Actuary.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

7. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2018.

8. CHANGES IN ESTIMATES

There were no material changes in estimates for the interim financial period ended 30 June 2018.

9. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities for the interim financial period ended 30 June 2018.

10. DIVIDEND PAID

No dividend has been paid or declared by the Company from the previous audited financial statements.

11. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements except for the following:.

a) Increased in issued and paid-up share capital

On 3 July 2018, the holding company, MAHB injected capital into the Company by way of the issuance of 60,000,000 new ordinary shares for cash, amounting to a total of RM60million, this resulted in an increased in the number of ordinary share from 152,151,399 to 212,151,399 and issued and paid-up capital from RM169,878,927 to RM229,878,927.

a) Redemption on Tier-2 Capital Subordinated Bonds of RM500.0million

On 13 June 2018, BNM approved the Company's redemption exercise for the Tier-2 Capital Subordinated Bonds of RM500.0million ("the Bond"). Subsequently, the Company exercised the call option to redeem the Bond on 5 July 2018. The Bond had been issued on 5 July 2013 with a tenure of ten (10) years from issue date on 10 non-callable 5 basis, with interest rate of 4.13% per annum payable semi-annually and is due on 2023.

12. CHANGES IN THE COMPOSITION OF THE COMPANY

There was no change in the composition of the Company during the interim financial period ended 30 June 2018.

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

13. INVESTMENTS

	30.6.2018	31.12.2017
	RM'000	RM'000
Malaysian government papers	126,351	92,715
Debt securities	730,767	539,511
Equity securities	168,302	156,879
Unit and property trust funds	-	259
Deposits with financial institutions	600,650	374,652
	<u>1,626,070</u>	<u>1,164,016</u>

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

	30.6.2018	31.12.2017
	RM'000	RM'000
Fair value through profit and loss ("FVTPL")		
- designated upon initial recognition	48,304	-
- held for trading ("HFT")	168,302	-
Fair value through other comprehensive income ("FVOCI")	808,814	-
Amortised Cost ("AC")	600,650	-
Available-for-sale ("AFS")	-	789,364
Loan and receivables ("LAR")	-	374,652
	<u>1,626,070</u>	<u>1,164,016</u>

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

	30.6.2018	31.12.2017
	RM'000	RM'000
FVTPL - designated upon initial recognition	48,304	-
FVOCI	775,624	-
AFS	-	497,369
	<u>823,928</u>	<u>497,369</u>

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

13. INVESTMENTS (CONTD.)

	30.6.2018	31.12.2017
	RM'000	RM'000
(a) FVTPL		
(i) Designated upon initial recognition		
<u>At fair value</u>		
Debt securities:		
Unquoted in Malaysia	40,299	-
Unquoted outside Malaysia	8,005	-
	<u>48,304</u>	<u>-</u>
(ii) HFT		
<u>At fair value</u>		
Equity securities:		
Quoted in Malaysia	87,312	-
Quoted outside Malaysia	718	-
Unquoted in Malaysia	80,272	-
	<u>168,302</u>	<u>-</u>
Total FVTPL financial assets	<u>216,606</u>	<u>-</u>
	30.6.2018	31.12.2017
	RM'000	RM'000
(b) FVOCI		
<u>At fair value</u>		
Malaysian government papers	126,351	-
Debt securities unquoted in Malaysia	682,463	-
Total FVOCI financial assets	<u>808,814</u>	<u>-</u>

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

13. INVESTMENTS (CONTD.)

(b) FVOCI (Contd.)

Movements in the allowances for impairment losses on financial assets at FVOCI are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 1.1.2018	-	-	-	-
Effect of adopting MFRS 9	419	107	200	726
As at 1.1.2018 (restated)	419	107	200	726
Amount (written off)/ write back	(1)	(17)	-	(18)
New financial assets originated at purchased	291	-	-	291
Financial assets derecognised	(168)	-	-	(168)
As at 30.6.2018	541	90	200	831
			30.6.2018 RM'000	31.12.2017 RM'000

(c) AC

At cost

Fixed and call deposits with:

Licensed banks	595,440	-
Other financial institutions	5,210	-
Total AC financial assets	600,650	-
	30.6.2018 RM'000	31.12.2017 RM'000

(d) AFS

At fair value

Malaysian government papers	-	92,715
Debt securities:		
Unquoted in Malaysia	-	530,731
Unquoted outside Malaysia	-	8,780

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

13. INVESTMENTS (CONTD.)

	30.6.2018	31.12.2017
	RM'000	RM'000
(d) AFS (Contd.)		
<u>At fair value (contd.)</u>		
Equity securities:		
Quoted in Malaysia	-	110,855
Quoted outside Malaysia	-	522
Quoted unit and property trust funds:		
Quoted in Malaysia	-	259
	<u>-</u>	<u>743,862</u>
<u>At cost</u>		
Equity securities:		
Unquoted in Malaysia		
Cost	-	47,790
Less: Allowance for impairment losses	-	(2,288)
	<u>-</u>	<u>45,502</u>
Total AFS financial assets	<u>-</u>	<u>789,364</u>
(e) LAR		
Fixed and call deposits with:		
Licensed banks	-	345,502
Other financial institutions	-	29,150
Total LAR financial assets	<u>-</u>	<u>374,652</u>
	<u>1,626,070</u>	<u>1,164,016</u>

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

An analysis of the different fair value measurement bases used in the determination of the fair values of Investments are further disclosed in Note 19(c) of the unaudited interim

14. REINSURANCE ASSETS

	30.6.2018	31.12.2017
	RM'000	RM'000
Reinsurers' share of general insurance contract liabilities (Note 15)	2,758,758	2,610,399
Allowance for impairment losses	-	(1,924)
	<u>2,758,758</u>	<u>2,608,475</u>

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

15. INSURANCE CONTRACT LIABILITIES

General insurance

	←----- 30.6.2018 ----->			←----- 31.12.2017 ----->		
	Gross RM'000	Reinsurance RM'000 (Note 14)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 14)	Net RM'000
Claims liabilities (i)	2,727,431	(2,421,475)	305,956	2,710,436	(2,387,292)	323,144
Premium liabilities (ii)	539,232	(337,283)	201,949	412,084	(223,107)	188,977
	<u>3,266,663</u>	<u>(2,758,758)</u>	<u>507,905</u>	<u>3,122,520</u>	<u>(2,610,399)</u>	<u>512,121</u>

(i) Claims liabilities

	←----- 30.6.2018 ----->			←----- 31.12.2017 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2018/1.1.2017	2,710,436	(2,387,292)	323,144	3,437,773	(3,049,160)	388,613
Claims incurred in the current accident year	255,977	(155,096)	100,881	650,647	(445,246)	205,401
Other movements in claims incurred in prior accident years	7,675	(15,220)	(7,545)	(470,201)	440,679	(29,522)
Claims paid during the period	(255,317)	147,073	(108,244)	(784,843)	555,304	(229,539)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(450)	-	(450)	(10,305)	-	(10,305)
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	9,110	(10,940)	(1,830)	(112,635)	111,131	(1,504)
As at 30.6.2018/31.12.2017	<u>2,727,431</u>	<u>(2,421,475)</u>	<u>305,956</u>	<u>2,710,436</u>	<u>(2,387,292)</u>	<u>323,144</u>

(ii) Premium liabilities

	←----- 30.6.2018 ----->			←----- 31.12.2017 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2018/1.1.2017	412,084	(223,107)	188,977	426,907	(240,746)	186,161
Premiums written in the year	659,388	(442,226)	217,162	1,105,313	(688,299)	417,014
Premiums earned during the year	(532,240)	328,050	(204,190)	(1,120,136)	705,938	(414,198)
As at 30.6.2018/31.12.2017	<u>539,232</u>	<u>(337,283)</u>	<u>201,949</u>	<u>412,084</u>	<u>(223,107)</u>	<u>188,977</u>

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

16. 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:

	30.6.2018	31.12.2017
	RM'000	RM'000
Within 1 year		
- Continuing operations	576	830
- Discontinued operations	-	353
After 1 year but not more than 5 years		
- Continuing operations	744	1,592
- Discontinued operations	-	1,398
	<u>1,320</u>	<u>4,173</u>

(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 balance sheet date but not recognised as receivables, are as follows:

	30.6.2018	31.12.2017
	RM'000	RM'000
Not later than 1 year		
- Continuing operations	6,433	6,490
- Discontinued operations	-	26,060
Later than 1 year but not later than 5 years		
- Continuing operations	23,475	23,442
- Discontinued operations	-	40,296
	<u>29,908</u>	<u>96,288</u>

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

17. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2018	31.12.2017
	RM'000	RM'000
Approved and contracted for:		
Property, plant and equipment	627	192
Intangible assets	13,052	3,472
	<u>13,679</u>	<u>3,664</u>
Approved and not contracted for:		
Intangible assets	157	4,546
	<u>157</u>	<u>4,546</u>

18. 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. The significant related party transactions and balances of the Company are as follows:

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

	30.6.2018	30.06.2017
	RM'000	RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	7,359	7,948
Commissions and fees expenses	(12,328)	(12,088)
Claims paid	(1,257)	(613)
Dividend income	-	729
Interest income	1,607	251
Rental income	283	-
Other expenses	(333)	(505)

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

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

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

	30.6.2018	30.06.2017
	RM'000	RM'000
Holding company:		
Rental income	43	-
Claims paid	-	(31)
Shared service cost	(4,822)	(3,630)
Final dividend	-	169,999
	<hr/>	<hr/>
Fellow subsidiaries within the MAHB Group:		
Gross premium income	12,267	10,231
Premium ceded to reinsurers	(11,669)	(8,564)
Commissions and fee expenses	(4,416)	(3,580)
Reinsurance commission income	4,066	4,820
Rental income	2,696	2,698
Shared service income/(expenses)	(8,916)	(6,779)
Claims paid	(1,945)	(1,378)
Claims recovery from reinsurers	847	1,006
Reimbursement of advisory fee	-	12
Other income	243	336
Other expenses	(21)	(33)
	<hr/>	<hr/>
Other related companies within the MBB Group:		
Gross premium income	211	35
Interest income	810	1,246
Rental income	14	-
Maybank shared service - information technology expenses	(1,025)	(3,349)
Investment advisory fee	-	(23)
	<hr/>	<hr/>
Companies with significant influence over the MBB Group:		
Gross insurance premium income	-	9
Claims paid	-	(8)
Interest on subordinated obligation	(5,429)	(5,430)
	<hr/>	<hr/>
Shareholder of holding company:		
Remuneration of seconded employee	(147)	(946)
	<hr/>	<hr/>

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

18. 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:

	30.6.2018	31.12.2017
	RM'000	RM'000
Ultimate holding company:		
Fixed and call deposits	397,129	229,611
Derivatives	1,252	605
Bank balances	30,967	32,765
Income due and accrued	1,844	693
Outstanding premiums	8,494	8,848
Claim liabilities	(60,529)	(58,445)
Amount due from ultimate holding company	<u>659</u>	<u>849</u>
Holding company:		
Outstanding premiums	1	1
Amount due to holding company	<u>(1,602)</u>	<u>(770)</u>
Fellow subsidiaries within the MAHB Group:		
Amount due (to)/from reinsurers and cedants	5,953	(487)
Reinsurance assets	587	-
Claims liabilities	(4,959)	(4,959)
Amount due from subsidiaries within MAHB Group	45,652	(7,911)
Amount due to subsidiaries within MAHB Group	<u>(160,638)</u>	<u>-</u>
Other related companies within the MBB Group:		
Fixed and call deposits	22,871	40,003
Income and profits due and accrued	377	373
Claims liabilities	(50)	(50)
Amount due from other related companies	83	23
Amount due to other related companies	<u>(83)</u>	<u>-</u>
Companies with significant influence over the MBB Group:		
Outstanding premiums	37	-
Claims liabilities	(884)	(2,026)
Amount due to reinsurers and cedants	-	(94)
Subordinated obligation	<u>(259,725)</u>	<u>(270,363)</u>

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

18. 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.) :

	30.6.2018	31.12.2017
	RM'000	RM'000
Subsidiary:		
Amount due from subsidiary	41	-
Amount due to subsidiary	<u>(1,676)</u>	<u>(1,637)</u>

(c) Key management personnel compensation

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

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

	1.1.2018	1.1.2017
	to	to
	2018	30.6.2017
	RM'000	RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	563	534
- Fees	-	421
- EPF and pension scheme	90	79
- Other emoluments and benefits-in-kind	27	27
	<u>680</u>	<u>1,061</u>

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

	30.6.2018	31.12.2017
	'000	'000
As at 1.1.2018/1.1.2017	141	170
Vested and exercisable	-	30
Exercised	-	(59)
Resignation of key management personnel	<u>(141)</u>	<u>-</u>
As at 30.6.2018/31.12.2017	<u>-</u>	<u>141</u>

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

19. 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.

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.

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

19. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (Contd.)

- 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.

(iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the Company's accounting policies. 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 Company's accounting policies. The carrying amounts and fair values of investments are disclosed in Note 13.

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

19. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques (Contd.)

(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.

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

	<u>Valuation technique used:</u>			Total RM'000
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	
30.6.2018				
<u>Assets</u>				
Investment Properties	-	-	112,734	112,734
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities, structured products and NCD	-	48,304	-	48,304
(ii) HFT				
Equity securities	88,030	-	80,272	168,302
Financial assets at FVOCI				
Malaysian government papers	-	126,351	-	126,351
Debt securities, structured products and NCDs	-	682,463	-	682,463
Derivative assets	-	1,252	-	1,252
Total assets	88,030	857,118	193,006	1,138,154

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

19. FAIR VALUE MEASUREMENTS (CONTD.)

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

	<u>Valuation technique used:</u>			Total RM'000
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	
31.12.2017				
<u>Assets</u>				
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

(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 six month period ended 30 June 2018.

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

19. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 instruments

	Investment measured at Properties	Financial instrument measured at fair value Designated at FVTPL
	RM'000	RM'000
30.6.2018		
As at 1.1.2018	112,734	45,502
Effect of adopting MFRS 9	-	34,770
As at 1.1.2018 (restated)	<u>112,734</u>	<u>80,272</u>
Recognised in the income statement:		
Realised gain	-	-
Fair value gain	-	-
Recognised in other comprehensive income as fair value gain/(loss)	-	-
Sales		
Settlement		
Transfer into Level 3		
Transfer out from Level 3		
Translation differences		
As at 30.6.2018	<u>112,734</u>	<u>80,272</u>
Total gains/(losses) recognised in income statement for financial instruments instruments measured at fair value at the end of reporting period	<u>-</u>	<u>-</u>

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

19. FAIR VALUE MEASUREMENTS (CONTD.)

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

	Investment Properties	Financial instruments measured at fair value	
		AFS	Designated at FVTPL
31.12.2017	RM'000	RM'000	RM'000
As at 1.1.2017	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/(loss)	-	(19,560)	-
Disposal/sales	(91,890)	(56,292)	(47,953)
Attributable to assets held for sale	(474,500)	-	-
As at 30.6.2018	<u>112,734</u>	<u>-</u>	<u>-</u>
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>1,930</u>	<u>3,187</u>	<u>(13,947)</u>
Total losses recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	<u>-</u>	<u>(19,560)</u>	<u>-</u>

(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.

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

19. FAIR VALUE MEASUREMENTS (CONTD.)

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

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.

20. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2018 and 31 December 2017, as prescribed under the RBC Framework is provided below:

	30.6.2018	31.12.2017
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	169,879	169,879
Reserves, including retained earnings	543,138	4,377,855
	<u>713,017</u>	<u>4,547,734</u>
Tier 2 Capital		
Revaluation reserves	1,073	1,073
Available-for-sale reserves	(6,171)	(12,867)
Subordinated term debts	356,509	500,000
Currency translation reserve	12,936	13,647
	<u>364,347</u>	<u>501,853</u>
Amount deducted from Capital	<u>(74,805)</u>	<u>(108,514)</u>
Total Capital Available	<u>1,002,559</u>	<u>4,941,073</u>

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

21. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS

- (i) The adoption of MFRS 9 resulted in the following financial effects to the related statement of financial position items of the Company:

	31.12.2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1.1.2018 RM'000
Assets				
Investments	1,164,016	34,770	-	1,198,786
Financing receivables	30,672	-	(16)	30,656
Insurance receivables	384,811	-	(1,800)	383,011
Other receivables	245,927	-	(2)	245,925
Liabilities				
Deferred tax liabilities	(2,101)	8,345	(437)	5,807
Equities				
AFS Reserve	(5,263)	5,263	-	-
FVOCI Reserve	-	(4,197)	400	(3,797)
Retained earnings	488,368	25,359	(1,781)	511,946

- (ii) The following table analyses the impact, net of tax, of transition to MFRS 9 on the opening balance of reserve and retained earnings of the Company:

	RM'000
AFS/FVOCI Reserve	
As at 31.12.2017	(5,263)
Transfer to retained earnings	1,066
Recognition of expected credit loss	527
Deferred tax in respect of expected credit loss	(127)
As at 1.1.2018	<u>(3,797)</u>
Retained profits	
As at 31.12.2017	488,368
Transfer from AFS reserve	(1,066)
Unrealised gain on financial assets at FVTPL	34,770
Recognition of expected credit loss	(2,218)
Deferred tax in respect of:	
- unrealised gain on FVTPL	(8,345)
- expected credit loss	437
As at 1.1.2018	<u>511,946</u>

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

22. INSURANCE FUNDS

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

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

The General insurance business offer general insurance products include Motor, Fire, Marine, Aviation and Transit and Miscellaneous products.

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2018 RM'000	31.12.2017 RM'000	30.6.2018 RM'000	31.12.2017 RM'000	30.6.2018 RM'000	31.12.2017 RM'000
Assets:						
Property, plant and equipment	42,722	46,456	42,722	46,456	-	63,908
Investment properties	112,734	112,734	112,734	112,734	-	635,708
Prepaid land lease payments	7,070	7,132	7,070	7,132	-	11,424
Intangible assets	40,921	40,886	40,921	40,886	-	29,653
Investment in associate	152	152	152	152	-	-
Investments	1,626,070	1,164,016	1,626,070	1,164,016	-	9,561,887
Financing receivables	30,671	30,672	30,671	30,672	-	208,797
Reinsurance assets	2,758,758	2,608,475	2,758,758	2,608,475	-	32,963
Insurance receivables	322,467	384,811	322,467	384,811	-	20,669
Other receivables	112,471	245,927	112,471	245,927	-	236,432
Derivative assets	1,252	606	1,252	606	-	2,230
Deferred tax assets, net	-	2,101	-	2,101	-	-
Current tax assets	14,803	812	14,803	812	-	-
Cash and bank balances	37,564	33,606	37,564	33,606	-	142,199
	5,107,655	4,678,386	5,107,655	4,678,386	-	-
Assets classified as held for sale	-	10,945,870	-	-	-	10,945,870
Total Assets	5,107,655	15,624,256	5,107,655	4,678,386	-	10,945,870

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

22. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2018 RM'000	31.12.2017 RM'000	30.6.2018 RM'000	31.12.2017 RM'000	30.6.2018 RM'000	31.12.2017 RM'000
<u>Equity and liabilities:</u>						
Share capital	169,879	169,879	169,879	169,879	-	-
Reserves	550,976	497,825	550,976	497,825	-	-
Reserves directly associated with assets classified as held for sale	-	1,766,198	-	-	-	1,766,198
	<u>720,855</u>	<u>2,433,902</u>	<u>720,855</u>	<u>667,704</u>	<u>-</u>	<u>1,766,198</u>
Insurance contract liabilities	3,266,663	3,122,520	3,266,663	3,122,520	-	8,193,491
Subordinated obligation	500,000	500,000	500,000	500,000	-	-
Derivative liabilities	-	-	-	-	-	25,791
Deferred tax liabilities, net	5,531	-	5,531	-	-	578,656
Insurance payables	393,854	318,382	393,854	318,382	-	15,281
Other payables ¹	210,800	59,661	210,800	59,661	-	366,453
Interest payable for subordinated obligation	9,952	10,119	9,952	10,119	-	-
	<u>4,386,800</u>	<u>4,010,682</u>	<u>4,386,800</u>	<u>4,010,682</u>	<u>-</u>	<u>-</u>
Liabilities directly associated with assets classified as held for sale	-	9,179,672	-	-	-	9,179,672
Total Liabilities	<u>4,386,800</u>	<u>13,190,354</u>	<u>4,386,800</u>	<u>4,010,682</u>	<u>-</u>	<u>9,179,672</u>
Total equity and liabilities	<u>5,107,655</u>	<u>15,624,256</u>	<u>5,107,655</u>	<u>4,678,386</u>	<u>-</u>	<u>10,945,870</u>
Inter fund balances	-	-	-	57,358	-	(57,358)

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

22. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM INCOME STATEMENT/ REVENUE ACCOUNTS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.06.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.06.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.06.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.06.2017 RM'000
Operating revenue	691,964	1,618,413	19,031	42,067	673,985	683,372	-	892,974
Gross earned premiums	532,240	1,227,044	-	-	532,240	562,426	-	664,618
Earned premiums ceded to reinsurers	(328,050)	(366,970)	-	-	(328,050)	(355,791)	-	(11,179)
Net earned premiums	204,190	860,074	-	-	204,190	206,635	-	653,439
Fee and commission income	33,472	34,894	-	-	33,472	34,489	-	405
Investment income [^]	32,576	289,515	19,031	42,067	14,597	19,092	-	228,356
Realised gains	725	188,082	902	19,878	(177)	11,136	-	157,068
Fair value gains/(losses)	(10,334)	49,078	(5,254)	-	(5,080)	-	-	49,078
Other operating expenses	10,179	(21,178)	(200)	(1,938)	10,379	(416)	-	(18,824)
Other revenue	66,618	540,391	14,479	60,007	53,191	64,301	-	416,083
Gross benefits and claims paid	(255,317)	(1,034,904)	-	-	(255,317)	(259,626)	-	(775,278)
Claims ceded to reinsurers	147,073	156,303	-	-	147,073	151,878	-	4,425
Gross change to contract liabilities	(16,995)	148,948	-	-	(16,995)	165,700	-	(16,752)
Change in contract liabilities ceded to reinsurers	34,183	(134,774)	-	-	34,183	(136,702)	-	1,928
Net benefits and claims	(91,056)	(864,427)	-	-	(91,056)	(78,750)	-	(785,677)
Management expenses [^]	(79,312)	(139,195)	(4,034)	(4,443)	(76,330)	(77,993)	-	(56,759)
Fee and commission expenses	(44,178)	(90,304)	-	-	(44,178)	(43,407)	-	(46,897)
Interest on subordinated obligation	(10,244)	(10,244)	(10,244)	(10,244)	-	-	-	-
Taxation borne by policyholders	-	(28,549)	-	-	-	-	-	(28,549)
Other expenses	(133,734)	(268,292)	(14,278)	(14,687)	(120,508)	(121,400)	-	(132,205)
Surplus for the period	46,018	267,746	201	45,320	45,817	70,786	-	151,640
Taxation	(14,826)	(66,632)	(2,715)	(13,513)	(12,111)	(16,818)	-	(36,301)
Net profit for the period from continuing operations	31,192	85,775	(2,514)	31,807	33,706	53,968	-	-
Net profit for the period from discontinued operations	-	115,339	-	-	-	-	-	115,339
Net profit for the period	31,192	201,114	(2,514)	31,807	33,706	53,968	-	115,339
Surplus transfer (net of tax) from:								
- General Funds	-	-	33,706	53,968	(33,706)	(53,968)	-	-
- Life Par Funds	-	-	-	(4,772)	-	-	-	4,772
- Life Non-Par Funds	-	-	-	120,111	-	-	-	(120,111)
Net profit for the period	31,192	201,114	31,192	201,114	-	-	-	-

Note: [^] The current figures at company level have taken the interfund elimination of RM1,051,984.

ETIQA GENERAL INSURANCE BERHAD
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(Incorporated in Malaysia)

22. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Cash flows from:								
Operating activities	231,268	202,050	176,007	(5,710)	55,261	9,195	-	198,565
Investing activities	(216,900)	(117,782)	(163,191)	16,340	(53,709)	1,078	-	(135,200)
Financing activities	(10,410)	(10,410)	(10,410)	(10,410)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	3,958	73,858	2,406	220	1,552	10,273	-	63,365
Cash and cash equivalents:								
Cash and cash equivalents at beginning of period	33,606	111,722	3,564	2,722	30,042	35,712	-	73,288
Cash and cash equivalents at end of period	37,564	185,580	5,970	2,942	31,594	45,985	-	136,653