ETIQA GENERAL TAKAFUL BERHAD
(1239197-A)
(Incorporated in Malaysia on 18 July 2017)

Unaudited Condensed Interim Financial Statements from the 18 July 2017 (the date of incorporation) to 30 June 2018

266243-D

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

CONTENTS **PAGE**

266243-D

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30.6.2018		
		Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
ASSETS				
Property, plant and equipment		-	-	-
Intangible assets		1,074	-	1,074
Investments	13	1,054,627	1,598,306	2,652,933
Retakaful assets	14	-	268,261	268,261
Takaful receivables		-	100,694	100,694
Other receivables		67,881	17,876	85,757
Deferred tax assets		3,211	6,575	9,786
Current tax assets		-	3,883	3,883
Cash and bank balances		7,474	48,732	56,206
Total assets		1,134,267	2,044,327	3,178,594
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS				
Equity				
Share capital		870,000	-	870,000
Reserves		59,585	-	59,585
Total equity		929,585	-	929,585
Liabilities and Participants' Funds				
Participants' funds	15	-	185,063	185,063
Takaful certificate liabilities	16	-	1,509,405	1,509,405
Expense liabilities		147,426	-	147,426
Takaful payables		-	90,732	90,732
Other payables		31,558	259,127	290,685
Current tax liabilities		25,698	-	25,698
Total liabilities and participants' funds		204,682	2,044,327	2,249,009
Total equity, liabilities and participants' funds		1,134,267	2,044,327	3,178,594

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

266243-D

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

UNAUDITED CONDENSED INTERIM INCOME STATEMENT
FROM THE 18 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	18.7.2017 to 30.6.2018		
	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
Operating revenue	**220,371**	**681,939**	**703,902**
Gross earned contributions	-	618,392	618,392
Earned contributions ceded to retakaful	-	(65,172)	(65,172)
Net earned contributions	-	553,220	553,220
Fee and commission income	198,408	8,788	8,788
Investment income	21,963	33,051	55,014
Net realised gains/(losses)	(1,220)	239	(981)
Net fair value losses	(3,613)	(6,558)	(10,171)
Other operating income/(expenses)	(247)	800	553
Other revenue	215,291	36,320	53,203
Gross benefits and claims paid	-	(365,867)	(365,867)
Claims ceded to retakaful	-	14,793	14,793
Gross change to certificate liabilities	-	19,403	(14,033)
Change in certificate liabilities ceded to retakaful	-	1,270	1,270
Net benefits and claims	-	(330,401)	(363,837)
Management expenses	(85,912)	-	(85,912)
Change in expense liabilities	(9,510)	-	(9,510)
Fee and commission expenses	(56,839)	(198,443)	(56,874)
Profit on subordinated obligation	-	-	-
Tax borne by participants	-	54	54
Other expenses	(152,261)	(198,389)	(152,242)
Operating profit before surplus transfers	63,030	60,750	90,344
Surplus transferred to participants' funds	-	(33,436)	-
Surplus attributable to shareholders	27,314	(27,314)	-
Profit before taxation	90,344	-	90,344
Taxation	(25,075)	-	(25,075)
Zakat	(2,359)	-	(2,359)
Net profit for the period	62,910	-	62,910
Basic earnings per share (sen)	7.23	-	7.23

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

266243-D

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FROM THE 18 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	18.7.2017 to 30.6.2018		
	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
Net profit for the period	62,910	-	62,910
Other comprehensive income:			
Item that may be subsequently reclassified to income statement			
Net gains/(losses) on Available-for-sale ("AFS")/ Fair Value through Other Comprehensive Income ("FVOCI") financial assets:			
- Fair value changes	(3,155)	(4,436)	(7,591)
- Transfer to profit or loss upon disposal	(1,220)	239	(981)
Tax effects relating to components of other comprehensive income	1,050	1,007	2,057
Other comprehensive income attributable to participants	-	3,190	3,190
Other comprehensive loss for the period, net of tax	(3,325)	-	(3,325)
Total comprehensive income for the period	59,585	-	59,585

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

266243-D

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FROM THE 18 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	Attributable to Equity Holder of the Company			
		Non-Distributable	Distributable	
	Share Capital RM'000	AFS/FVOCI Reserves RM'000	Retained Profits RM'000	Total Equity RM'000
As at 18 July 2017 (date of incorporation)	-	-	-	-
Net profit after tax for the period	-	-	62,910	62,910
Other comprehensive loss for the period	-	(3,325)	-	(3,325)
Total comprehensive income for the period	-	(3,325)	62,910	59,585
Issue during the period[1]	870,000	-	-	870,000
At 30 June 2018	870,000	(3,325)	62,910	929,585

[1] The company was incorporated on 18 July 2017 with a share capital of RM1 being 1 ordinary share. On 20 December 2017, the company increased its share capital to RM870,000,000 by the subscription of 869,999,999 ordinary shares.

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

266243-D

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FROM THE 18 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	18.7.2017 to 30.6.2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation and zakat	90,344
Adjustments for:	
Depreciation of property,plant and equipment	-
Amortisation of intangible assets	143
Fair value gains on investments	10,170
Realised gains on disposal of investments	981
Unrealised losses on foreign exchange	-
Realised gains on foreign exchange	-
Write off of takaful receivables	-
Write back of impairment on investments	(369)
Write back of impairment on takaful receivables	(910)
Write back of impairment on retakaful assets	(4)
Profit income	(53,925)
Gross dividend income	(1,127)
Net amortisation of premiums	1,191
Increase in net contribution liabilities	16,886
Surplus transferred from general takaful fund	33,436
Operating cash flows before working capital changes	96,816
Changes in working capital:	
Proceeds from sale of investments	765,303
Purchase of investments	(1,808,024)
Increase in takaful receivables	47,703
Increase in other receivables	74,601
Decrease in other payables	(55,151)
Decrease in takaful payables	(38,600)
Increase in placements of deposits with financial institution	64,280
Increase in retakaful assets	(1,267)
Increase in expense liabilites	9,511
Increase in takaful certificate liabilities	(19,403)
Operating cash flows after working capital changes	(864,230)

266243-D
ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS (CONTD.)
FROM THE 18 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	18.07.2017 to 30.6.2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit income received	46,593
Gross dividend income received	1,098
Zakat paid	(2,359)
Tax paid	(1,538)
Mudharabah paid to participants	(27,317)
Net cash flows generated from operating activities	(847,753)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of share capital	870,000
Net cash flows used in financing activities	870,000
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	-
Net cash flows used in investing activities	-
Net increase in cash and cash equivalents	22,247
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents transferred from Etiqa Family Takaful Berhad ("EFTB")	33,959
Cash and cash equivalents at end of period	56,206
Cash and cash equivalents comprise:	
Cash and bank balances of:	
Shareholder's fund	7,474
General takaful fund	48,732
	56,206

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

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FROM THE 18 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated on 18 July 2017 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 28 December 2017, the Company was granted the licence to underwrite general takaful business.

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 general takaful business of Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) was transferred to the Company.

2. BASIS OF PREPARATION

The unaudited interim financial statements of the Company for the period ended 30 June 2018 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by International Accounting Standards Board ("IASB"), Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and the requirement in Companies Act, 2016 in Malaysia.

In accordance with the Islamic Financial Services Act 2013, the assets and liabilities of the takaful funds are segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the takaful funds are consolidated with those of the takaful operator to represent the control possessed by the operator over the respective funds.

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

2. BASIS OF PREPARATION (CONTD.)

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements. There will be no comparative information and disclosure as the Company is newly incorporated entity. Pursuant to Companies Act 2016, the first financial statement for the newly incorporated entity shall be prepared within 18 months from the date of its incorporation which is financial year ended 31 December 2018.

The explanatory notes attached to the unaudited 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 its incorporation.

The Company has met the minimum capital requirements as prescribed by Risk-Based Capital Takaful Framework for takaful operators ("the RBCT 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company adopted the 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*

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 and fair value through other comprehensive income reserve as at 1 January 2018.

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
● 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments (Contd.)*

(i) Classification and measurement (Contd.)

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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments (Contd.)*

(ii) Impairment (Contd.)

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

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments (Contd.)*

(ii) Impairment (Contd.)

- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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.

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. 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. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ.

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 unaudited interim financial statements other than General Takaful liabilities and measurement of expected credit loss under MFRS 9.

Accordingly, the Company is of the view that the General Takaful liabilities as at the reporting date are reasonably adequate and the estimation uncertainties have been duly mitigated via adherence to the methods prescribed in the RBCT Frameworks and the sensitivity analyses performed. The measurement of expected credit loss under MFRS 9 which involves increased complexity and judgement as disclosed in Note 3.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

6. 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.

7. CHANGES IN ESTIMATES

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

8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

The company was incorporated on 18 July 2017 with a share capital of RM1 being 1 ordinary share. On 20 December 2017, the company increased its share capital to RM870,000,000 by the subscription of 869,999,999 ordinary shares.

9. DIVIDENDS PAID

No dividend has been paid by the Company since the date of incorporation.

10. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

There were no material events subsequent to the end of the period reported that require disclosure or adjustments to the unaudited interim financial statements.

11. CHANGES IN THE COMPOSITION OF THE COMPANY

There were no change in the composition of the Company during the interim financial period ended 30 June 2018 since the date of incorporation.

12. COMPARATIVE INFORMATION

There are no comparative figures as this is the first set of unaudited interim financial statements prepared by the Company.

13. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
30.6.2018			
Malaysian government papers	27,960	346,528	374,488
Debt securities	856,709	1,024,959	1,881,668
Equity securities	48,610	53,881	102,491
Structured products	-	48,605	48,605
Deposits with financial institutions	121,348	124,333	245,681
	1,054,627	1,598,306	2,652,933

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

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
30.6.2018			
Fair value through profit and loss ("FVTPL"):			
- Designated upon initial recognition	-	8,140	8,140
- Held for trading ("HFT")	48,610	53,881	102,491
Fair value through other comprehensive income ("FVOCI")	884,669	1,411,952	2,296,621
Amortised cost ("AC")	121,348	124,333	245,681
	1,054,627	1,598,306	2,652,933

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

13. INVESTMENTS (CONTD.)

The following investments will mature after 12 months:

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
30.6.2018			
FVTPL			
- Designated upon initial recognition	-	56,745	56,745
FVOCI	774,374	1,259,335	2,033,709
	774,374	1,316,080	2,090,454

(i) FVTPL

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
30.6.2018			
- Designated upon initial recognition			
At fair value:			
Unquoted debt securities in Malaysia	-	8,140	8,140
	-	8,140	8,140
- HFT			
At fair value:			
Quoted equity securities in Malaysia	48,610	53,881	102,491
	48,610	53,881	102,491
Total FVTPL financial assets	48,610	62,021	110,631

(ii) FVOCI

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
30.6.2018			
At fair value:			
Malaysian government papers	27,960	346,528	374,488
Unquoted debt securities in Malaysia	856,709	1,016,819	1,873,528
Structured products	-	48,605	48,605
Total FVOCI financial assets	884,669	1,411,952	2,296,621

13. INVESTMENTS (CONTD.)

(ii) FVOCI (CONTD.)

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

Shareholder's fund	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 18.7.2017 (date of incorporation)	-	-	-	-
Amount (written off)/write back	(1)	(27)	-	(28)
New financial assets originated of purchased	649	160	-	809
Financial assets derecognised	(84)	-	-	(84)
As at 30.6.2018	564	133	-	697

General takaful fund	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 18.7.2017 (date of incorporation)	-	-	-	-
Effect of adopting MFRS 9	1,034	317	-	1,351
	1,034	317	-	1,351
Amount (written off)/write back	(14)	(174)	-	(188)
New financial assets originated of purchased	166	24	-	190
Financial assets derecognised	(322)	(49)	-	(371)
As at 30.6.2018	864	118	-	982

	Shareholder's fund RM'000	General takaful fund RM'000	Company RM'000
(iii) AC			
30.6.2018			
At cost:			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed financial institutions	71,102	94,333	165,435
Others	50,246	30,000	80,246
Total AC financial assets	121,348	124,333	245,681

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

14. RETAKAFUL ASSETS

	30.6.2018 RM'000
Retakaful operators' share of general takaful certificate liabilities (Note 16)	268,261
	268,261

15. PARTICIPANTS' FUND

	30.6.2018 RM'000
General takaful fund	
Accumulated surplus (Note (i))	200,870
FVOCI reserves (Note (ii))	(15,807)
	185,063

	30.6.2018 RM'000
(i) Accumulated surplus	
As at 18.7.2017 (date of incorporation)	-
Transferred from EFTB	196,302
Effect of adopting MFRS 9	(1,550)
	194,752
Surplus arising during the period	33,436
Hibah paid to participants during the period	(27,318)
As at 30.6.2018	200,870
(ii) AFS/FVOCI reserves	
As at 18.7.2017 (date of incorporation)	-
Transferred from EFTB	(12,753)
Effect of adopting MFRS 9	136
	(12,617)
Fair value changes	(4,436)
Transfer to profit or loss upon disposal	239
Deferred tax on fair value changes	1,007
As at 30.6.2018	(15,807)

16. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful RM'000 (Note 14)	Net RM'000
General takaful fund			
30.6.2018			
Claims liabilities (Note (i))	913,249	(218,363)	694,886
Contribution liabilities (Note (ii))	596,156	(49,898)	546,258
	1,509,405	(268,261)	1,241,144

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.6.2018			
As at 18.7.2017 (date of incorporation)	-	-	-
Transferred from EFTB	932,652	(217,096)	715,556
	932,652	(217,096)	715,556
Claims incurred in the current accident year	346,907	(14,245)	332,662
Movement in claims incurred in prior accident years	4,168	(3,229)	939
Claims paid during the period	(365,867)	14,793	(351,074)
Movements in PRAD	(4,611)	1,414	(3,197)
As at 30.6.2018	913,249	(218,363)	694,886

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.6.2018			
As at 18.7.2017 (date of incorporation)	-	-	-
Transferred from EFTB	574,448	(45,076)	529,372
	574,448	(45,076)	529,372
Contributions written during the period	640,100	(69,994)	570,106
Contributions earned during the period	(618,392)	65,172	(553,220)
As at 30.6.2018	596,156	(49,898)	546,258

17. OPERATING LEASE COMMITMENTS

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

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

	30.6.2018 RM'000
Within 1 year	10,842
After 1 year but not more than 5 years	41,940
	52,782

18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

For the purpose of these unaudited interim 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 the Directors and Chief Executive Officer 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.

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

18.7.2017 to 30.6.2018	**Shareholder's fund RM'000**	**General takaful fund RM'000**	**Company RM'000**
Income/(expenses):			
Ultimate holding company:			
Commission and fee expenses	(14,554)	-	(14,554)
Investment advisory fee	(36)	(67)	(103)
Holding company:			
Gross takaful contribution income	-	41	41
Shared service costs	(3,296)	-	(3,296)

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

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

18.7.2017 to 30.6.2018 **Income/(expenses):**	**Shareholder's fund RM'000**	**General takaful fund RM'000**	**Company RM'000**
Fellow subsidiaries within the MAHB Group :			
Gross takaful contribution income	-	37	37
Shared service costs	(36,506)	-	(36,506)
Rental expenses	(2,511)	-	(2,511)
Other related companies within the MBB Group:			
Gross takaful contribution income	-	1,086	1,086
Profit income on deposits	370	439	809
Maybank Shared Service IT expenses	(2,559)	-	(2,559)
Companies with significant influence over the MBB Group:			
Gross takaful contribution income	-	4,512	4,512
Claims paid	-	(29)	(29)
Commission expense	-	(53)	(53)

(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	**Shareholder's fund RM'000**	**General takaful fund RM'000**	**Company RM'000**
Ultimate holding company:			
Bank balances	2,328	32,652	34,980
Other payables	(1,072)	-	(1,072)
Holding company:			
Other payables	250	-	250
Other related companies within the MBB Group:			
Islamic investment accounts	-	1,912	1,912

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

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

(c) Key management personnel compensation

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

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

	1.1.2018 to 30.6.2018 RM'000
Short-term employee benefits	
- Salaries, allowances and bonuses	593
- EPF and pension scheme	95
- Share-based compensation	19
- Other emoluments and benefits-in-kind	41
	748

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

	30.6.2018 '000
As at 18.7.2017 (date of incorporation)	-
Appointment of key management	-
personnel	141
Exercised	(141)
As at 30.6.2018	-

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.

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.

19. FAIR VALUE MEASUREMENTS (CONTD.)

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

Shareholder's fund	Valuation techniques using: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Unobservable inputs RM'000	Total RM'000
30.6.2018				
Assets				
FVTPL - HFT financial investments				
Quoted equity securities in Malaysia	48,610	-	-	48,610
	48,610	-	-	48,610
FVOCI financial investments				
Malaysian government papers	-	27,960	-	27,960
Unquoted debt securities in Malaysia	-	856,709	-	856,709
	-	884,669	-	884,669
Total assets	48,610	884,669	-	933,279

General Takaful Fund	Valuation techniques using: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Unobservable inputs RM'000	Total RM'000
30.6.2018				
Assets				
FVTPL - designated at inception financial investments				
Quoted equity securities in Malaysia	-	8,140	-	8,140
	-	8,140	-	8,140
FVTPL - HFT financial investments				
Quoted equity securities in Malaysia	53,881	-	-	53,881
	53,881	-	-	53,881
FVOCI financial investments				
Malaysian government papers	-	346,528	-	346,528
Unquoted debt securities in Malaysia	-	1,016,819	-	1,016,819
Structured products	-	48,605	-	48,605
	-	1,411,952	-	1,411,952
Total assets	53,881	1,420,092	-	1,473,973

ETIQA GENERAL TAKAFUL BERHAD
(Incorporated in Malaysia on 18 July 2017)

19. 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 period ended 30 June 2018.

(e) Movements of Level 3 instruments

	Financial instruments measured at fair value		
General takaful fund	**Designated at FVTPL RM'000**	**Designated at FVOCI RM'000**	**Designated at AC RM'000**
As at 18.7.2017 (date of incorporation)	-	-	-
As at 30.6.2018	-	-	-
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	-	-	-
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	-	-	-

(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.

20. ASSETS TRANSFERRED FROM ETIQA FAMILY TAKAFUL BERHAD ("EFTB")

On 1 January 2018, the general takaful business were transferred into the Company from EFTB upon succesful completion of the Licence Split.

Statement of financial position disclosures

The major classes of assets and liabilities transferred in upon incorporation of the Company as at 1 January 2018 are as follows:

	1.1.2018 RM'000
Assets	
Intangible assets	1,217
Investments	1,697,348
Retakaful assets	262,168
Takaful receivables	100,620
Other receivables	152,997
Deferred tax assets	5,069
Current tax assets	3,883
Cash and bank balances	33,959
Total Assets	2,257,261
Liabilities	
Participants' funds	183,549
Takaful certificate liabilities	1,507,100
Expense liabilities	137,916
Takaful payables	82,465
Other payables	346,231
Total Liabilities	2,257,261

21. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2018, as prescribed under the RBCT Framework, is provided below:

Company

	30.6.2018 RM'000
Eligible Tier 1 Capital	
Paid up share capital	870,000
Valuation surplus in takaful funds	200,870
Retained earnings	62,910
	1,133,780
Tier 2 Capital	
Available-for-sale reserves	(19,132)
Subordinated obligation	-
	(19,132)
Amount deducted from capital	(10,860)
Total Capital Available	1,103,788

22. 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:

General takaful fund	1.1.2018 (with assets transferred from EFTB) RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1.1.2018 (restated) RM'000
Assets				
Investments	1,697,348	-	-	1,697,348
Takaful receivables	100,620	-	(510)	100,110
Deferred tax assets	5,069	-	446	5,515
Liabilities				
Participants' funds				
- Accumulated surplus	196,302	(136)	(64)	196,102
- AFS reserves	(12,753)	12,753	-	-
- FVOCI reserves	-	(12,617)	-	(12,617)

(ii) The following table analyses the impact, net of tax, of transition to MFRS 9 on the opening balance of participants' funds of the Company:

	RM'000
General takaful fund / Company	
Participants' funds - Accumulated surplus	
As at 1.1.2018 (after assets transferred from EFTB)	196,302
Transfer from participants' funds - AFS/FVOCI reserves	(136)
Recognition of expected credit loss	(510)
Deferred tax in respect of:	
- expected credit loss	446
As at 1.1.2018 (restated)	196,102
Participants' funds - AFS/FVOCI reserves	
As at 1.1.2018 (after assets transferred from EFTB)	(12,753)
Transfer to participants' funds - accumulated surplus	136
As at 1.1.2018 (restated)	(12,617)