

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

**Directors' Report, Corporate Governance Disclosure and**  
**Audited Financial Statements**  
**31 December 2018**

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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**ETIQA GENERAL INSURANCE BERHAD**  
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**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2018.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is the underwriting of General Insurance business. There have been no significant changes in the nature of the principal activity during the financial year other than disclosed in Note 1.

**RESULTS**

	<b>RM'000</b>
Net profit for the financial year	<u>125,628</u>

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

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

**DIVIDENDS**

No dividend has been declared or paid by the Company since 31 December 2017.

**MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")**

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and was expired on 23 June 2018. It is in force for a maximum period of seven (7) years from the effective date and is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU").

**MAYBANK GROUP EMPLOYEE'S SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEE'S SHARE GRANT PLAN ("CESGP")**

The Maybank Group ESGP is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 5 April 2017. It was awarded to the participating Maybank Group who fulfill the eligibility criteria. The ESGP was implemented on 14 December 2018 and it is in force for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan of the Maybank Group ("ESGP") and Maybank Group Cash-settled Performance-based Employees' Share Grant Plan ("CESGP").

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**MAYBANK GROUP EMPLOYEE'S SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED  
PERFORMANCE-BASED EMPLOYEE'S SHARE GRANT PLAN ("CESGP") (CONTD.)**

The maximum number of ordinary shares in MBB available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme.

**DIRECTORS**

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Datuk Mohd Najib Abdullah

(appointed as Director on 1 July 2018 and redesignated as Chairman on 1 January 2019)

Mr. Philippe Pol Arthur Latour (Vice Chairman)

Dato' Johan Ariffin

Mr. Loh Lee Soon

Mr. Frank J.G. Van Kempen

Mr. Koh Heng Kong

Puan Nora Abd. Manaf

Datuk R. Karunakaran

(ceased as Director and Chairman on 31 December 2018)

Mr. Wong Pakshong Kat Jeong Colin Stewart

(resigned on 1 January 2018)

Pursuant to Article 98 of the Company's Constitution, Dato' Johan Ariffin and Mr. Loh Lee Soon shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

Pursuant to Article 104 of the Company's Constitution, Datuk Mohd Najib Abdullah shall retire at the forth coming AGM of the Company and, being eligible, offers himself for re-election.

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Notes 33 and 41 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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**DIRECTORS' INDEMNITY**

The Company maintained on group basis, a Directors' and Officers' Liability ("D&O") Insurance against any legal liability incurred by the Directors in the discharge of their duties while holding office for the Company. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Premium paid for D&O policy

Limit of Liability - Group Policy	2018 Gross Premium (RM'000)	2017 Gross Premium (RM'000)
RM 250 Million	1,135	1,060

**DIRECTORS' INTERESTS**

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

	As at 1.1.2018/ Date of Appointment	Number of Ordinary Shares			As at 31.12.2018
		Issued pursuant to			
		RSU	DRP*	Sold	
Ultimate Holding Company					
Direct interest:					
Dato' Johan Ariffin	305,162	-	3,467	-	308,629
Datuk Mohd Najib Abdullah	3,839	-	43	-	3,882
Puan Nora Abd. Manaf	11,496	66,702	-	(78,000)	198
Mr. Loh Lee Soon	1,000	-	-	-	1,000

\*DRP = Dividend Reinvestment Plan

		Number of RSU of ordinary shares				
				Vested during the financial year	Not vested during the financial year	Outstanding as at 31.12.2018
Grant date		Granted as at 1.1.2018	Outstanding as at 31.12.2018			
Puan Nora Abd. Manaf	30.04.2015	-	66,702	(66,702)	-	-

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**DIRECTORS' INTERESTS (CONTD.)**

During the financial year, the Ultimate Holding Company has awarded the ESGP Shares to the following director:

	<b>Award date</b>	<b>Number of ESGP shares awarded</b>
Puan Nora Abd. Manaf	14.12.2018	<u>104,000</u>

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

**CORPORATE GOVERNANCE**

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance as disclosed from page 7 to 24.

**FINANCIAL HOLDING COMPANY**

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

**IMMEDIATE AND ULTIMATE HOLDING COMPANIES**

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

**OTHER STATUTORY INFORMATION**

- (a) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps:
- (i) To ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;
  - (ii) To ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and
  - (iii) To ascertain that there was adequate provision for its insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurer ("RBC Framework") issued by BNM.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) The amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

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**OTHER STATUTORY INFORMATION (CONTD.)**

- (b) At the date of this report, the directors are not aware of any circumstances which would render (Contd.):
  - (ii) The values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) Any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) Any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.
- (g) For the purpose of paragraphs (e)(ii) and (f)(i), contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

**SIGNIFICANT EVENT**

There were no significant events which have occurred during the financial year other than as disclosed in Note 1 and Note 48 to the financial statement.

**SUBSEQUENT EVENT**

There were no material events subsequent to the end of the financial year that would require adjustment or disclosure in the financial statement.

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**AUDITORS**

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

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 February 2019.



DATUK MOHD NAJIB ABDULLAH



LOH LEE SOON

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**CORPORATE GOVERNANCE DISCLOSURES**

**(1) INTRODUCTION**

The Board of Directors ("the Board") of Etiqa General Insurance Berhad ("the Company"), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad, the immediate holding company ("MAHB") [collectively referred to as ("the Group")] acknowledges the importance of robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment, the Board continuously strives to refine the Company's CG practices and processes in ensuring high standards of transparency, integrity and honesty.

The Company's CG Framework is premised upon the following statutory provisions, best practices and guidelines:

- (i) Companies Act 2016; and
- (ii) Policy on CG issued by Bank Negara Malaysia on 3 August 2016 ("BNM CG Policy").

Disclosures in this section are pursuant to Paragraph 22 of the BNM CG Policy.

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT**

**(a) Board Composition**

Currently, the Board consists of seven (7) Directors, comprising:

- (i) one (1) Executive Director ("ED");
- (ii) two (2) Non-Independent Non-Executive Directors ("NINED"); and
- (iii) four (4) Independent Non-Executive Directors ("INED").

The Composition of the Board meets the requirement of having a majority of independent directors as set out in the BNM CG Policy. Datuk R. Karunakaran, an INED, ceased as Chairman of the Board with effect from 31 December 2018 and was succeeded by Datuk Mohd Najib Abdullah, an INED with effect from 1 January 2019, while Puan Nora Abd. Manaf is the only ED on the Board and the two (2) NINEDs are nominees of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

The Board is committed in ensuring diversity and inclusiveness in its composition and deliberations and the Company embraces the proposition that having a diverse Board would have a positive, value-added impact on the Company. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

The Board meets on bi-monthly basis, and the meeting dates are scheduled well in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on ad hoc basis to consider urgent matters. All Directors attended more than 75% of Board meeting held during the financial year.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(a) Board Composition (Contd.)**

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

Members of the Board	Designation	Number of Board Meetings	
		attended	%
Datuk R. Karunakaran ( <i>Chairman</i> ) <sup>#</sup>	INED	8/8	100
Mr. Philippe Pol Arthur Latour ( <i>Vice Chairman</i> )	NINED	7/8	88
Puan Nora Abd. Manaf	ED	6/8	75
Mr. Frank J.G. Van Kempen	NINED	8/8	100
Dato' Johan Ariffin	INED	8/8	100
Mr. Loh Lee Soon	INED	8/8	100
Mr. Koh Heng Kong	INED	8/8	100
Datuk Mohd Najib Abdullah <sup>*^</sup>	INED	5/5	100
Mr. Wong Pakshong Kat Jeong	INED	0/8	0
Colin Stewart <sup>**</sup>			

\* appointed on 1 July 2018

\*\* resigned on 1 January 2018

# ceased as Director and Chairman on 31 December 2018

^ appointed as Chairman on 1 January 2019

**Profile of Directors**

Name/Designation/Age/ Nationality	Background/ Experience	Other Directorship within the Group
<b>Datuk R. Karunakaran</b> Independent Non- Executive Director Chairman 68 years of age Malaysian (ceased as Director and Chairman w.e.f. 31 December 2018)	Public Administration	<ul style="list-style-type: none"> <li>Chairman of Maybank Ageas Holdings Berhad</li> <li>Chairman of Etiqa Life Insurance Berhad (ceased as Director and Chairman w.e.f. 31 December 2018)</li> </ul>

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(a) Board Composition (Contd.)**

**Profile of Directors (Contd.)**

<b>Name/Designation/Age/ Nationality</b>	<b>Background/ Experience</b>	<b>Other Directorship within the Group</b>
<b>Mr. Philippe Pol Arthur Latour</b> Non-Independent Non-Executive Director Vice-Chairman 59 years of age Belgian	Insurance	<ul style="list-style-type: none"> <li>• Director of Etiqa Life Insurance Berhad</li> <li>• Director of Etiqa Family Takaful Berhad</li> <li>• Director of Etiqa General Takaful Berhad</li> </ul>
<b>Puan Nora Abd. Manaf</b> Executive Director 54 years of age Malaysian	Corporate Management	<ul style="list-style-type: none"> <li>• Director of Etiqa Life Insurance Berhad</li> </ul>
<b>Mr. Frank J.G. Van Kempen</b> Non-Independent Non-Executive Director 51 years of age Dutch	Insurance	<ul style="list-style-type: none"> <li>• Director of Etiqa Life Insurance Berhad</li> <li>• Director of Etiqa Insurance Pte Ltd (Incorporated in Singapore)</li> <li>• Director of Etiqa Life International (L) Ltd (Incorporated in F.T. Labuan)</li> <li>• Director of Etiqa Offshore Insurance (L) Ltd (Incorporated in F.T. Labuan)</li> </ul>
<b>Dato' Johan Ariffin</b> Independent Non-Executive Director 59 years of age Malaysian	Property Development & Banking	<ul style="list-style-type: none"> <li>• Director of Maybank Ageas Holdings Berhad</li> <li>• Director of Etiqa Life Insurance Berhad</li> <li>• Director of Etiqa Family Takaful Berhad</li> <li>• Director of Etiqa General Takaful Berhad</li> </ul>
<b>Mr. Loh Lee Soon</b> Independent Non-Executive Director 63 years of age Malaysian	Technology & Finance	<ul style="list-style-type: none"> <li>• Director of Etiqa Life Insurance Berhad</li> </ul>

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

**(a) Board Composition (Contd.)**

**Profile of Directors (Contd.)**

<b>Name/Designation/Age/ Nationality</b>	<b>Background/ Experience</b>	<b>Other Directorship within the Group</b>
<b>Mr. Koh Heng Kong</b> Independent Non- Executive Director 66 years of age Malaysian	Insurance	• Director of Etiqa General Takaful Berhad
<b>Datuk Mohd Najib Abdullah</b> Independent Non- Executive Director 58 years of age Malaysian ( <i>appointed as Chairman w.e.f. 1 January 2019</i> )	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Director of Etiqa Life Insurance Berhad ( <i>appointed as Chairman w.e.f. 1 January 2019</i> )

Detailed profile of each Director is available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB" or "Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2018 ("FYE 2018").

**(b) Roles and Responsibilities of the Board**

The business and affairs of the Company are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Company. The Board also sets the core values, adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations.

The roles and responsibilities of the Board are set out in the Company's Board Charter which is available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(c) Board Committees Composition and Roles and Responsibilities**

The Company leveraged on Group Board Committees at MAHB, which MAHB Board had established to assist the Board in carrying out effective oversight of the operations and business affairs of the Company, namely:

- (i) Nomination and Remuneration Committee;
- (ii) Audit Committee of the Board;
- (iii) Risk Management Committee;
- (iv) Investment Committee; and
- (v) Board Oversight Committee of Information Technology

**(i) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee ("NRC") was established on 1 September 2018. Prior to this, the Company leveraged on the Group NRC at Maybank.

NRC consists of a majority of INEDs and chaired by an INED.

The primary objectives of NRC are to establish a documented, formal and transparent procedure for the nomination and appointment of new directors, Chief Executive Officer ("CEO"), Shariah Committee members, senior management and Company Secretary.

The Board via the NRC assesses the independence of INEDs prior to their appointments and re-appointments as part of the annual Fit and Proper Assessment exercise. Pursuant to the recommendation of the NRC based on the assessment undertaken for the financial year, the Board is satisfied that all the INEDs of the Board have met the independence criteria set out under the BNM CG Policy as well as Maybank's Directors' Independence Policy adopted by the Group. NRC engaged a consultant firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

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

**(i) Nomination and Remuneration Committee (Contd.)**

NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board will always have a steady pool of talent whenever there is a need to appoint new directors, not only to ensure continuity in meeting its long term goals but also to ensure that the knowledge, experience and skillset of the Board members would be well suited to meet the demands of the ever-changing landscape of the insurance industry.

In addition, NRC is also responsible to provide a formal and transparent procedure in developing remuneration policies for directors, CEO and senior management and ensuring compensation is competitive and consistent with the Group's culture, objectives and strategy but most importantly, the industry standards.

The roles and responsibilities of NRC are set out in its Terms of Reference which are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

Members of the NRC	Designation	Number of NRC Meetings attended	%
Datuk Mohd Najib Abdullah (Chairman)	INED	2/2	100
Mr. Gary Lee Crist <sup>1</sup>	NINED	2/2	100
Dato' Johan Arifin	INED	2/2	100

<sup>1</sup> Director of MAHB.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

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

**(ii) Audit Committee of the Board**

The Audit Committee of the Board ("ACB") consists of a majority of INEDs and chaired by an INED.

ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, review related-party transactions and conflicts of interest situations, access the suitability, objectivity and independence of the Group's appointed external auditors and independently assess the integrity of organisational wide management practices through the review of audit findings raised by the internal auditors, external auditors and/or regulators, ensuring that corrective actions, where necessary, are taken in a timely manner to ensure the Group's operations run in an effective and efficient manner as well as to safeguard Group's assets and stakeholders' interests.

The roles and responsibilities of ACB are set out in its Terms of Reference which are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

Members of the ACB	Designation	Number of ACB Meetings attended	%
Mr. Loh Lee Soon ( <i>Chairman</i> )	INED	8/8	100
Mr. Gary Lee Crist <sup>1</sup>	NINED	7/8	88
Mr. Koh Heng Kong	INED	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	8/8	100

<sup>1</sup> Director of MAHB

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

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

**(iii) Risk Management Committee**

The Risk Management Committee ("RMC") consists of a majority of INEDs and chaired by an INED.

RMC assists the Board in ensuring that the risk exposures and outcomes affecting the Group are effectively managed and addressed by the Board. More specifically, the RMC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group under the key risk categories of financial, insurance, operational and enterprise risks.

The roles and responsibilities of RMC are set out in its Terms of Reference which are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

Members of the RMC	Designation	Number of RMC Meetings attended	%
Mr. Koh Heng Kong ( <i>Chairman</i> )	INED	9/9	100
Mr. Gary Lee Crist <sup>1</sup>	NINED	8/9	89
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED	9/9	100

<sup>1</sup> Director of MAHB

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

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

**(iv) Investment Committee**

The Investment Committee ("IC") consists of a majority of EDs and chaired by an ED.

The Board established the IC as a governance body to oversee investment related activities.

The roles and responsibilities of IC are set out in its Terms of Reference which are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

<b>Members of the IC</b>	<b>Designation</b>	<b>Number of IC Meetings attended</b>	<b>%</b>
Dato' Amirul Feisal Wan Zahir <sup>1</sup> (Chairman)	ED	4/4	100
Dato' Mohamed Rafique Merican <sup>2</sup>	ED	4/4	100
Mr. Philippe Pol Arthur Latour	NINED	4/4	100

<sup>1</sup> Director of MAHB

<sup>2</sup> Director of Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned MAHB.

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

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

**(v) Board Oversight Committee of Information Technology**

The Board Oversight Committee of Information Technology ("BOC IT") consists of five (5) members and chaired by an INED.

BOC IT is a governance body which carries an oversight function for technology related activities to provide differentiation and competitive advantage to the Group, improve productivity of people and processes, address risks of technology obsolescence and ensure all IT initiatives are adequately funded and resourced.

BOC IT was revamped and renamed to Board Oversight Committee of Innovation & Technology effective from 1 January 2019 to focus on innovation in technology related activities.

The roles and responsibilities of BOC IT are set out in its Terms of Reference which are available on the Group's corporate website ([www.etiqa.com.my](http://www.etiqa.com.my)).

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

Members of the BOC IT	Designation	Number of BOC IT Meetings attended	%
Mr. Loh Lee Soon ( <i>Chairman</i> )	INED	7/7	100
Mr. Philippe Pol Arthur Latour	NINED	4/7	57
Encik Kamaludin Ahmad <sup>1</sup>	Member	7/7	100
Encik Mohd Suhail Amar Suresh <sup>2</sup>	Member	7/7	100
Mr. Hans Van Wuijckhuijse <sup>3</sup>	Member	7/7	100

<sup>1</sup> CEO of MAHB.

<sup>2</sup> Group Chief Technology Officer, Maybank

<sup>3</sup> Regional Director, Business Development Ageas Asia

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**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

**(d) Directors' Training**

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

During the financial year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programmes for new Directors, namely the Induction Programme (in-house training) and Financial Institutions Directors' Education ("FIDE").

**(i) Induction Programme**

A comprehensive induction programme has also been established and coordinated by the Company Secretary to ease new Directors into their new role and to assist them in their understanding of the Group's business strategy and operational matters. New Directors are required to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one session with the Senior Management Committee members/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

**(ii) Training Attended by Directors**

The Board continues to assess the training needs of its Directors and identify key areas of focus for training programmes vide the Annual Board Assessment conducted at the beginning of each financial year.

Training attended by the Directors during the financial year were as follows:

Training attended by Directors	DR <sup>1</sup>	PL <sup>2</sup>	NAM <sup>3</sup>	FVK <sup>4</sup>	DJA <sup>5</sup>	LLS <sup>6</sup>	KHK <sup>7</sup>	DMN <sup>8</sup>
<b>A. In-house Training</b>								
1. Induction Programme								✓
2. Etiqa Compliance Conference 2018.	✓		✓		✓	✓	✓	✓
3. Etiqa Board Risk Workshop.	✓		✓		✓	✓	✓	✓
4. Etiqa Offsite presentation: (a) How Technology is Changing the Business Paradigm by Willis Towers Watson; (b) Using Technology to deliver what the customer wants; (c) Making Etiqa a high performance organization; and (d) Merger & Acquisition for Etiqa.	✓	✓		✓	✓	✓	✓	✓
5. AMLATFPUAA (Anti Money Laundering).						✓		
6. Blockchain in Financial Services.						✓		
7. Alternative Lending – P2P and Islamic Financing						✓		
8. Maybank Compliance Training Program for Board Members and Senior Management.	✓	✓	✓		✓	✓	✓	✓
9. Maybank - BNM CRR Communication to Senior Management.			✓		✓	✓	✓	✓
10. Maybank - Board Risk Workshop 2018.			✓		✓	✓	✓	✓
11. Ageas Partnership Days 2018.	✓	✓		✓	✓	✓	✓	✓
12. Ageas Investor Day 2018.		✓						
13. Ageas Finance and Risk Offsite		✓						
14. Ageas Management Forum 2018.		✓						
<b>B. External Training</b>								
1. 2018 FIDE Elective Programme -Understanding Fintech and its Implications to Insurance Companies.	✓							
2. FIDE Forum -1 <sup>st</sup> PIDM (a) Is the financial system any safer, simpler or fairer than before dialogue? (b) Greek lesson to banking world.	✓							
3. FIDE Forum: Identifying Your Next Board Talent - Optimising Board Composition and Board Director Recruitment.					✓			
4. FIDE Forum: Managing Cyber Risks in Financial Institutions							✓	
5. FIDE Forum: Board Conversation							✓	
6. FIDE Module A			✓					

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)**

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

**(ii) Training Attended (Contd.)**

Training attended by Directors	DK <sup>1</sup>	PL <sup>2</sup>	NAM <sup>3</sup>	FKV <sup>4</sup>	DJA <sup>5</sup>	LLS <sup>6</sup>	KHK <sup>7</sup>	DMN <sup>8</sup>
7. FIDE Module B.		✓	✓					
8. PIDM Dialogue with the Board Members of Life Insurance Companies – Briefing on Differential Levy System Framework to the Board of Directors.					✓	✓		
9. FT China Insurance Summit.		✓						
10. "Takaful Minds & Its Algorithm in the Takaful Industry" - Session with Datuk Dr Mohd Daud Bakar.					✓		✓	
11. Takaful Executive Development Program: Value Based Intermediation in Takaful.					✓		✓	
12. Bursa CG Breakfast Session: MCGG Reporting and CG Guide.	✓							
13. Islamic Stockbroking by Bursa Malaysia.								✓
14. INSEAD Artificial Intelligence & Technology Development Leadership Programme.	✓							
15. INSEAD - MAYBANK Killer Ideas Workshop and Developer Bootcamp for EXCO & Senior Management.			✓					
15. Singularity Digital Safari.		✓						
16. Board Receptive on Cyber Resilience.	✓							
17. ICDM PowerTalk By Professor CK Low – Would A Business Judgement Rule Help Directors Sleep Better At Night?					✓			
18. ALM, Investment and Capital Management Conference.		✓						
19. Utilisation of ERM for Commercial Sustainability, Agility and Resilience.					✓			
20. Internal Capital Adequacy Assessment Process Workshop by PwC.								✓
21. MIA AccTech Conference 2018.						✓		
22. Investing in Integrated Strata Development Briefing: Understanding Owner's Rights and Obligations under the Strata Titles Act 1985 and Strata Management Act 2013.					✓			
23. 2018 Invest Malaysia Kuala Lumpur.	✓							
24. Malaysia: A New Dawn 2018 Conference.	✓				✓	✓	✓	
25. The Global Institute for Leadership Development 2018.						✓		
26. Blue Ocean Leadership.						✓		
27. 29 <sup>th</sup> Annual Palm and Lauic Oils Conference.	✓							
28. Harvard Advance Management Program for Leaders at Harvard Business School.			✓					

<sup>1</sup> DK - Datuk R. Karunakaran

<sup>2</sup> PL - Mr. Philippe Pol Arthur Latour

<sup>3</sup> NAM - Puan Nora Abd. Manaf

<sup>4</sup> FVK - Mr. Frank J.G. Van Kempen

<sup>5</sup> DJA - Dato' Johan Ariffin

<sup>6</sup> LLS - Mr. Loh Lee Soon

<sup>7</sup> KHK - Mr. Koh Heng Kong

<sup>8</sup> DMN - Datuk Mohd Najib Abdullah

**(3) INTERNAL CONTROL FRAMEWORK**

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

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(4) REMUNERATION - QUALITATIVE DISCLOSURES**

**(a) Board Performance**

The Company leveraged on NRC at MAHB established on 1 September 2018. Prior to this, the Company leveraged on the Group NRC at Maybank.

In line with good corporate governance, the Board via the NRC has set out its intention to periodically review the Non-Executive Directors' ("NED") remuneration per Maybank remuneration policy for Directors.

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

The remuneration package of NEDs consists of the following:

Fees and meeting allowances – Directors' fees and meetings allowances for NEDs are based on a fixed sum as determined by the NRC and the Board, and subsequently approved by the shareholders.

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

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

**(5) REMUNERATION - QUANTITATIVE DISCLOSURES**

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

The Non-Executive Directors' Remuneration for the financial year are as follows:

<u>Remuneration</u>	<u>Per Annum (RM)</u>
(i) <b>Fees</b>	
• Board	
- Chairman	180,000
- Member	120,000
• Committee	
- Chairman	32,500
- Member	28,000
(ii) <b>Meeting allowance</b>	
• per meeting attended	2,000

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

The details of Directors' and CEOs' Remuneration for FYE 2018 are disclosed in Notes 32 and 33 to the Company's financial statements.

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

The Company adopted Maybank Group's total rewards philosophy goes beyond tangible rewards. It embraces an integrated rewards strategy that focuses on the right remuneration, benefits and career development as well as progression opportunities at the right time for employees' personal and professional aspirations. It involves a holistic integration of total rewards' key elements that are aligned to the Group strategy, Group Human Capital strategy, culture and Core Values T.I.G.E.R.\*, all critical to sustain employee engagement levels, productivity and business growth.

*\* Core Values: Teamwork; Integrity; Growth; Excellence & Efficiency and Relationship Building*

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

Remuneration policy is approved by the Board and is monitored and reviewed periodically. It reinforces a high performance culture to attract, motivate and retain talent through market competitiveness and differentiated pay.

Maybank Group rewards' principles are delivered holistically via the Group's Total Rewards Framework which includes base pay, other fixed cash, performance-based variable cash, long-term incentive awards, benefits and development.

Key elements	Purpose
Fixed Pay	Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level.
Variable Pay	<p><u>Variable Bonus</u></p> <ul style="list-style-type: none"> <li>- Reinforce pay-for-performance culture and adherence to Maybank Group's Core Values T.I.G.E.R.</li> <li>- Variable cash award design that is aligned with the long-term performance goals of the Group through our deferral and claw-back policies.</li> <li>- Based on overall Group Performance, Business/Corporate Function and individual performance.</li> <li>- Performance is measured via the Balanced Scorecard approach.</li> <li>- Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time.</li> </ul> <p><u>Long-term Incentive Award</u></p> <p>The Long-term Incentive Award is offered within the suite of Total Rewards for eligible Talents. An approved customized Share Grant Plan is offered to eligible Senior Management who has direct line of sight in driving, leading and executing the Maybank Group's business strategies and objectives.</p> <p><u>Clawback Provision</u></p> <p>The Maybank Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on Variable Bonus and Long-term Incentive Awards.</p>

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

Key elements	Purpose
<b>Benefits</b>	Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for our diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich our employees, as part of our total rewards strategy.
<b>Development and Career Opportunities</b>	Continue to invest in the personal and professional growth of our employees. Opportunities provided to employees to chart their careers across different businesses and geographies.

Total Compensation ensures that employees are paid equitably to the market, delivered via cash and share/share-linked instruments, where applicable. The mix of cash and shares/shares-linked instruments is aligned to the Group's long-term value creation and time horizon of risks with targeted mix ratio.

The target positioning of Base Pay is mid-market while target positioning for Total Compensation for a performer is to be within the Upper Range of market. Target positioning for benefits is mid-market. In certain markets/geographies, there may be exceptions for selected benefits with above mid-market positioning for strategic purposes. As the Group operates globally, it is essential that local legislation and practices are observed. Should any clause of any policy conflict with local legislation, local legislations shall take precedence.

**Key features of Remuneration Framework that Promotes Alignment between Risk and Rewards**

The Group Total Compensation comprising a mixture of Fixed and Variable elements (i.e. Variable Bonus and Long-term Incentive Plan) is designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome as well as individual's level and accountability.

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**Key features of Remuneration Framework that Promotes Alignment between Risk and Rewards (Contd.)**

The Company has strong internal governance on performance and remuneration of control functions which are measured and assessed independently from the business units they support to avoid any conflict of interests. The remuneration of staff in control functions are predominantly fixed to reflect the nature of their responsibilities. Annual reviews of their compensation are benchmarked against market rate and internally to ensure that it is set at an appropriate level.

Performance Management principles ensure Key Performance Indicators ("KPI") continue to focus on outcomes delivered that are aligned to the business plans. Each of the Senior Officers and Other Material Risk Takers ("OMRT") carry Risk, Governance & Compliance goals in their individual scorecard and are cascaded accordingly. Being a responsible organisation, the right KPI setting continues to shape the organisational culture, actively drive risk and compliance agendas effectively where inputs from control functions and Board Committees are incorporated into the Sector and individual performance results.

**Long-term Incentive Award – Employees' Share Grant Plan**

Maybank in December 2018, rolled out a new scheme under the Long-Term Incentive Award i.e. Employees Shares Grant Scheme ("ESGP") replacing the previous scheme that expired in June 2018. ESGP serves as a long-term incentive award for eligible Senior Management with the following objectives:

- To align to the Group's long-term strategic objectives to maximise shareholders' value through a high performance culture.
- To continue to attract, motivate and retain key talents in Senior Management level.
- To align the Group total rewards to the long-term value creation and time horizon of risk.
- To drive performance that is tied to long-term outcomes and business growth.
- To participate in the Group's business strategies for future growth of the Group.

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE DISCLOSURES (CONTD.)**

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

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

**Corporate Governance – Remuneration practices**

As part of the overall corporate governance framework, the Company ensures its remuneration policies and structure are in line with the requirements of governance regulations. From a risk management perspective, the remuneration policy is supported by strong governance and sensitive to risk outcomes.

Staff rewards are reviewed on an annual basis and consistent with business performance and prudent risk management. Appropriately, involvement by the relevant control functions are sufficiently embedded to provide an independent and objective assessment of the remuneration principles and practices which are pre-requisites for executing a sound remuneration policy.

**(d) Senior Officers and Other Material Risk Takers ("OMRT")**

The remuneration package for Senior Officers and OMRTs are reviewed on an annual basis and submitted to the NRC for recommendation to the Board for approval.

Senior officer is defined as performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities and includes those who assume primary or significant responsibility for key control functions.

OMRT is defined as:

- (a) an officer who is a member of senior management of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or
- (b) among the most highly remunerated officers in the Company.

Summary of FYE 2018 compensation outcome for those identified as Senior Officers and OMRT:

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of Pax	RM	No. of Pax	Units
<b>Material Risk Taker "Senior Officers"</b>				
Cash-based	1	885,000.00	Nil	Nil
Shares and share-linked instrument (ESOS etc)	1	40,602.00	Nil	Nil
<b>Other Material Risk Taker "OMRT"</b>				
Cash-based	Nil	Nil	Nil	Nil
Shares and share-linked instrument (ESOS etc)	Nil	Nil	Nil	Nil

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**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

We, Datuk Mohd Najib Abdullah and Loh Lee Soon, being two of the directors of Etiqa General Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 192 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 February 2019.



DATUK MOHD NAJIB ABDULLAH



LOH LEE SOON

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

I, Fukhairudin Mohd Yusof, being the officer primarily responsible for the financial management of Etiqa General Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 192 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

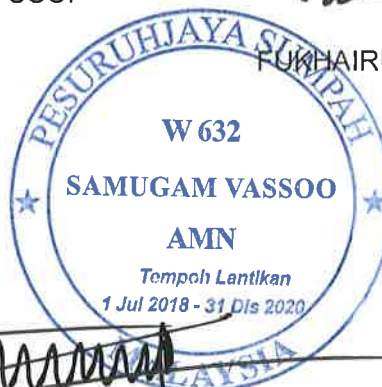
Subscribed and solemnly declared by  
the abovenamed FUKHAIRUDIN MOHD YUSOF  
at Kuala Lumpur in Wilayah Persekutuan  
on 14 February 2019



FUKHAIRUDIN MOHD YUSOF

Before me,

Commissioner for Oaths



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

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**Independent auditors' report to the member of  
Etika General Insurance Berhad  
(Incorporated in Malaysia)**

**Report on the Audit of Financial Statements**

*Opinion*

We have audited the financial statements of Etika General Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2018, and summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 193.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year ended 31 December 2018 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for Opinion*

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

*Independence and Other Ethical Responsibilities*

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

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

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

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**Independent auditors' report to the member of  
Etiga General Insurance Berhad (Contd.)  
(Incorporated in Malaysia)**

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

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

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

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

*Responsibilities of the Directors for the Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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**Independent auditors' report to the member of  
Etika General Insurance Berhad (Contd.)  
(Incorporated in Malaysia)**

*Auditor's Responsibilities for the Audit of the Financial Statements (Contd.)*

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

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

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

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Independent auditors' report to the member of  
Etiga General Insurance Berhad (Contd.)  
(Incorporated in Malaysia)

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 226 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
14 February 2019



Yeo Beng Yean  
No. 03013/10/2020 J  
Chartered Accountant

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 RM'000	2017 RM'000
<b>Assets</b>			
Property, plant and equipment	3	9,188	46,456
Investment properties	4	270,757	112,734
Prepaid land lease payments	5	-	7,132
Intangible assets	6	41,369	40,886
Investment in associate	8	152	152
Investments	9	1,107,516	1,164,016
Financing receivables	11	28,703	30,672
Reinsurance assets	12	2,703,348	2,608,475
Insurance receivables	13	346,730	384,811
Other receivables	14	90,856	245,927
Derivative assets	15	82	606
Deferred tax asset, net	21	-	2,101
Current tax assets		73,949	812
Cash and bank balances		64,652	33,606
		<u>4,737,302</u>	<u>4,678,386</u>
Assets classified as held for sale	16	-	10,945,870
<b>Total Assets</b>		<u><b>4,737,302</b></u>	<u><b>15,624,256</b></u>
<b>Equity and Liabilities:</b>			
Share capital	17	229,879	169,879
Reserves	18	729,322	497,825
		<u>959,201</u>	<u>667,704</u>
Reserves directly associated with assets classified as held for sale	16	-	1,766,198
<b>Total Equity</b>		<u><b>959,201</b></u>	<u><b>2,433,902</b></u>
<b>Liabilities</b>			
Insurance contract liabilities	19	3,243,212	3,122,520
Subordinated obligation	20	-	500,000
Deferred tax liabilities, net	21	34,349	-
Insurance payables	22	403,846	318,382
Other payables	23	96,694	59,661
Interest payable on subordinated obligation	20	-	10,119
		<u>3,778,101</u>	<u>4,010,682</u>
Liabilities directly associated with assets classified as held for sale	16	-	9,179,672
<b>Total Liabilities</b>		<u><b>3,778,101</b></u>	<u><b>13,190,354</b></u>
<b>Total Equity and Liabilities</b>		<u><b>4,737,302</b></u>	<u><b>15,624,256</b></u>

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM'000	2017 RM'000
<b>Operating revenue</b>	24	1,274,658	1,206,089
Gross earned premiums	25(a)	1,148,396	1,120,136
Earned premiums ceded to reinsurers	25(b)	(722,915)	(705,938)
<b>Net earned premiums</b>		425,481	414,198
Fee and commission income	26	61,481	57,294
Investment income	27	59,581	100,776
Realised (losses)/gains	28	(11,325)	101,822
Fair value gains	29	19,837	886
Other operating expenses, net	30	20,995	(4,689)
<b>Other revenue</b>		150,569	256,089
Gross benefits and claims paid	31(a)	(520,768)	(784,843)
Claims ceded to reinsurers	31(b)	294,449	555,304
Gross change in contract liabilities	31(c)	(54,011)	727,337
Change in contract liabilities ceded to reinsurers	31(d)	61,383	(661,868)
<b>Net benefits and claims</b>		(218,947)	(164,070)
Management expenses	32	(139,541)	(158,110)
Fee and commission expenses	34	(85,956)	(80,188)
Interest on subordinated obligation		(10,532)	(20,650)
<b>Other expenses</b>		(236,029)	(258,948)
<b>Profit before taxation from continuing operations</b>		121,074	247,269
Taxation	35	4,554	(69,981)
<b>Net profit for the year from continuing operations</b>		125,628	177,288
<b>Discontinued operations:</b>			
Net profit for the year from discontinued operations	16	-	188,888
<b>Net profit for the year</b>		125,628	366,176
<b>Earnings per share (sen) from continuing operations</b>			
Basic	36	69.00	116.52
<b>Earnings per share (sen) from discontinued operations</b>			
Basic	36	-	124.15

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM'000	2017 RM'000
<b>Net profit for the year</b>		<u>125,628</u>	<u>366,176</u>
<b>Other comprehensive income/(loss):</b>			
<b>Items that may be subsequently reclassified to income statement</b>			
Change in value of FVOCI/AFS financial assets, net			
- Fair value changes		8,092	10,249
- Transfer to profit or loss upon disposal	28	(1,521)	(26,009)
Tax effect relating to FVOCI/AFS financial assets	35	(1,577)	3,783
		<u>4,994</u>	<u>(11,977)</u>
<b>Items that may not be reclassified to income statement</b>			
Revaluation reserves			
- Revaluation of property, plant and equipment	3	62,679	-
- Revaluation of prepaid land lease payment	5	36,798	-
Tax effect relating to revaluation reserves	35	(23,875)	-
		<u>75,602</u>	<u>-</u>
Currency translation		<u>229</u>	<u>(1,196)</u>
<b>Other comprehensive income/(loss) from continuing operations for the year, net of tax</b>		<u>80,825</u>	<u>(13,173)</u>
<b>Other comprehensive loss from discontinued operations for the year, net of tax</b>	16	<u>-</u>	<u>(17,992)</u>
<b>Total comprehensive income for the year</b>		<u>206,453</u>	<u>335,011</u>
<b>Comprising of:</b>			
- Continuing operations		206,453	164,115
- Discontinued operations		-	170,896
		<u>206,453</u>	<u>335,011</u>

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

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Non-distributable					Retained Earnings			Reserves of disposal group held for sale RM'000 (Note 16)	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	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000		
At 1 January 2018 (as previously stated)	169,879	-	(5,263)	1,073	13,647	-	488,368	488,368	1,766,198	2,433,902
Effect of adopting MFRS 9 (Note 2.5(c))	-	-	1,466	-	-	-	23,578	23,578	-	25,044
At 1 January 2018 (as restated)	169,879	-	(3,797)	1,073	13,647	-	511,946	511,946	1,766,198	2,458,946
Transferred to ELIB (Note 16)	-	-	-	-	-	-	-	-	(1,766,198)	(1,766,198)
Net profit for the year	-	-	-	-	-	-	125,628	125,628	-	125,628
Total comprehensive income for the year	-	-	4,994	75,602	229	-	-	-	-	80,825
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	4,994	75,602	229	-	125,628	125,628	-	206,453
Issuance of new shares	60,000	-	-	-	-	-	-	-	-	60,000
Transfer from revaluation reserves upon disposal	-	-	-	(284)	-	-	284	284	-	-
At 31 December 2018	229,879	-	1,197	76,391	13,876	-	637,858	637,858	-	959,201
At 1 January 2017	152,151	17,728	22,225	11,647	14,843	1,719,083	911,214	2,630,297	-	2,848,891
Net profit for the year	-	-	-	-	-	163,596	202,580	366,176	-	366,176
Other comprehensive loss for the year	-	-	(29,969)	-	(1,196)	-	-	-	-	(31,165)
Total comprehensive (loss)/income for the year	-	-	(29,969)	-	(1,196)	-	-	-	-	-
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary <sup>1</sup>	-	-	(29,969)	-	(1,196)	163,596	202,580	366,176	-	335,011
Transfer to share capital	-	(17,728)	-	-	-	(114,000)	114,000	-	-	-
Transfer from revaluation reserves upon disposal	-	-	-	(10,574)	-	-	-	-	-	-
Dividend on ordinary shares (Note 37)	-	-	-	-	-	-	10,574	10,574	-	-
Attributable to disposal group held for sale (Note 16)	-	-	2,481	-	-	(1,768,679)	(750,000)	(750,000)	-	(750,000)
At 31 December 2017	169,879	-	(5,263)	1,073	13,647	-	488,368	488,368	1,766,198	2,433,902

<sup>1</sup> In accordance with the Financial Services Act 2013, the unallocated surplus of the Non-Participating ("non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. The approved transfer from the non-Par fund unallocated surplus for the financial year ended 31 December 2018 and 31 December 2017 were NIL and RM150,000,000 (NIL and RM114,000,000, net of tax at 24%) respectively.

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation:		
- Continuing operations	121,074	247,269
- Discontinued operations (Note 16)	-	237,534
	<u>121,074</u>	<u>484,803</u>
Adjustments for:		
Taxation borne by policyholders	-	47,740
Depreciation of property, plant and equipment	2,851	9,841
Amortisation of intangible assets	5,690	8,377
Fair value gains on financial assets at FVTPL	(1,859)	(68,608)
Fair value gains on investment properties	(17,978)	(1,930)
Amortisation of prepaid land lease payments	-	408
Amortisation of premium on investments	982	5,061
(Gain)/loss on disposal of property, plant and equipment	(4,001)	6
Loss/(gain) on disposal of investment properties	183	(75,819)
Net loss on foreign exchange	755	55,099
Impairment losses on reinsurance asset	718	1,395
Reversal of impairment losses on insurance receivables	(6,654)	(3,195)
(Recovery)/written off bad debts	(4,734)	612
Impairment losses on other receivables	-	32
Impairment losses on financing receivables	137	4,530
Loss/(gain) on disposal of investments	15,143	(271,718)
Interest income	(51,917)	(486,426)
Interest expense	10,532	20,650
Net impairment losses on investments	60	24,765
Gross dividend income	(1,754)	(48,554)
Rental income	(11,517)	(40,337)
Profit/(loss) from operations before changes in operating assets and liabilities	<u>57,711</u>	<u>(333,268)</u>
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(95,591)	672,311
Decrease/(increase) in insurance receivables	47,669	(138,043)
Decrease/(increase) in other receivables	170,784	(277,777)
Decrease in financing receivables	1,816	4,267
(Increase)/decrease in amounts due from related parties	(3,126)	287
Increase in other payables	28,954	79,904
Carried forward	<u>208,217</u>	<u>7,681</u>

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS (CONTD.)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>		
Brought forward	208,217	7,681
Increase/(decrease) in insurance contract liabilities	120,692	(414,290)
Increase in insurance payables	85,464	33,969
Decrease in financial assets at amortised costs/ loans and receivables("LAR")	128,878	462,153
Interest income received	47,557	489,877
Dividend income received	1,791	49,202
Rental income received	11,228	43,788
Currency translation reserve	229	(1,194)
Cash generated from operations	604,056	671,186
Tax paid	(65,483)	(112,161)
Net cash generated from operations	538,573	559,025
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investments & derivatives	1,358,665	9,108,598
Purchase of investments	(1,404,168)	(8,891,685)
Proceeds from sale of property, plant and equipment	7,002	7
Proceeds from sale of investment properties	338	167,709
Proceeds from sale of intangible assets	20	34
Additions to investment property under constructions("IPUC")	-	(84,517)
Purchase of property, plant and equipment	(2,541)	(7,277)
Purchase of intangible assets	(6,193)	(17,161)
Net cash (used in)/generated from investing activities	(46,877)	275,708
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of new shares	60,000	-
Dividend paid	-	(750,000)
Redemption of subordinated obligation	(500,000)	-
Interest paid on subordinated obligation	(20,650)	(20,650)
Net cash used in financing activity	(460,650)	(770,650)
<b>Net increase in cash and cash equivalents</b>	<b>31,046</b>	<b>64,083</b>
Cash and cash equivalents at beginning of year	33,606	111,722
Attributable to disposal group held for sale (Note 16)	-	(142,199)
Cash and cash equivalents at end of year	64,652	33,606

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 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 ("Licence Split") and surrendered the composite licences in exchange for the four single licences. Consequently, the Company was renamed to Etiqa General Insurance Berhad and will be principally engaged in the underwriting of general insurance business.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 February 2019.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

**(a) Statement of compliance**

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

The Company has adopted those MFRSs and Amendments to MFRSs effective for the annual periods beginning on or after 1 January 2018 as disclosed in Note 2.3.

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**2.1 Basis of Preparation (Contd.)**

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

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

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

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

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

- General insurance contract liabilities Note 2.2 (xv)
- Life insurance contract liabilities Note 2.2 (xvi)

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

**ETIQA GENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

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

**2.2 Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(ii) Investment Properties**

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

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

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

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

Investment Property Under Construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(iii) Leases**

**(a) Classification**

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

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

**(b) Finance Leases - The Company as Lessee**

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(iii) Leases (Contd.)**

**(c) Operating Leases - The Company as Lessor**

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

**(d) Operating Leases - The Company as Lessee**

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

**(iv) Intangible Assets**

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(iv) Intangible Assets (Contd.)**

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

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

**(a) Software Development Costs**

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

**(b) Computer Software**

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

**(v) Investment In Associate**

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

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

**(vi) Financial Assets**

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

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

**(a) Classification of financial assets before 1 January 2018**

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

**(i) Financial Assets at FVTPL**

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

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(vi) Financial Assets (Contd.)**

**(a) Classification of financial assets before 1 January 2018 (Contd.)**

**(ii) LAR**

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

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

**(iii) AFS Financial Assets**

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

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(vi) Financial Assets (Contd.)**

**(b) Classification of financial assets after 1 January 2018**

Upon the implementation of MFRS 9 *Financial Instruments* on 1 January 2018, the Company determines the classification of financial assets at initial recognition depending on the business model used for managing the financial assets as in Note 2.2 (vi)(c) and the contractual cash flows characteristics of the financial assets as in Note 2.2 (vi)(d). The categories include financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost ("AC").

**(i) Financial Assets at FVTPL**

Financial assets in this category are those financial assets that are held for trading or financial assets that qualify for neither held at AC nor at FVOCI. This category includes debt instruments whose cash flow characteristic fail the Solely Payments of Principal and Interest ("SPPI") criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both collect contractual cash flows and sell. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

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

**(ii) Financial Assets at FVOCI**

Financial assets in this category are those financial 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.

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

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

**(vi) Financial Assets (Contd.)**

**(b) Classification of financial assets after 1 January 2018 (Contd.)**

**(ii) Financial Assets at FVOCI (Contd.)**

Subsequent to initial recognition, financial assets at FVOCI are measured at fair value. Exchange differences, interest/profit and dividend income on financial assets at FVOCI are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Other net gain and losses are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. On derecognition, gain or losses accumulated in other comprehensive income are reclassified to profit or loss.

**(iii) Financial Assets at AC**

Financial assets in this category are those financial 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.

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using effective interest method. Exchange differences, interest/profit and dividend income on financial assets at AC are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. On derecognition, any gain or loss is recognised in profit or loss.

**(c) Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(vi) Financial Assets (Contd.)**

**(c) Business model assessment (Contd.)**

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors and is determined by the key management personnel on the basis of both:

- The way that assets are managed and their performance is reported to them; and
- The contractual cash flow characteristics of the financial asset.

The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment. The Company should assess its business models at each reporting period in order to determine whether the models have changed since the preceding period.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Change in business model is not expected to be frequent; but should such event take place, it must be:

- Determined by the Company's senior management as a result of external or internal changes;
- Significant to the Company's operations; and
- Demonstrable to external parties.

A change in the business model will occur only when the Company begins or ceases to perform an activity that is significant to its operations. Change in the objective of the business model must be effected before the reclassification date.

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(vi) Financial Assets (Contd.)**

**(d) The SPPI test**

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

**(e) Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has transferred substantially all the risks and rewards of the financial asset.

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

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

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

**(vii) Fair Value of Financial Assets**

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

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

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

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(viii) Impairment**

**(a) Impairment of financial assets before 1 January 2018**

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

Insurance receivables

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

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

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

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

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

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

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

**(viii) Impairment (Contd.)**

**(a) Impairment of financial assets before 1 January 2018 (Contd.)**

Insurance receivables (Contd.)

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

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

AFS financial assets

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

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

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

Unquoted equity securities carried at cost

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

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

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

**(viii) Impairment (Contd.)**

**(a) Impairment of financial assets before 1 January 2018 (Contd.)**

Financing, loans and receivables

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

**b) Impairment of financial assets after 1 January 2018**

The Company assesses the impairment of financial assets based on an Expected Credit Loss ("ECL") model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

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, financing, insurance receivables, debts instruments and deposits held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

ECL would be recognised from the point at which financial assets are originated or purchased. A 12-month ECL must be recognised initially for all assets subject to impairment.

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

**(i) 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 be required to apply a three-stage approach based on the change in credit quality since initial recognition:

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

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

**(viii) Impairment (Contd.)**

**b) Impairment of financial assets after 1 January 2018 (Contd.)**

**Determining a significant increase in credit risk since initial recognition (Contd.)**

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

**(ii) Forward-looking information and ECL measurement**

The amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast economic conditions. The forward-looking adjustment is interpreted as an adjustment for the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement. A forward-looking ECL calculation should be based on an accurate estimation of current and future probability of default ("PD"), exposure at default ("EAD"), loss given default ("LGD") and discount factors.

**Loan, advance and financing**

The ECL on the loan portfolio (other than policy/Automated Policy Loan) of the Company is computed using a risk sensitive model, leveraging the ECL coverage ratio calculated for comparable portfolios in MBB for Stage 1 and Stage 2 and individual assessment is applied for Stage 3. The policy/APL loans are not expected to incur loss as any shortfall will be deducted from the cash surrender value. This implies that LGD is zero and no ECL is estimated.

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

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

**(viii) Impairment (Contd.)**

**b) Impairment of financial assets after 1 January 2018 (Contd.)**

Insurance receivables

The impairment on insurance receivables is measured at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the insurance and reinsurance receivables are grouped based on different sales channel and different reinsurance premium type's arrangement respectively. The impairment is to be calculated on the total outstanding balance including all aging buckets from current to 12-month and above. Roll rates is to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. A forward-looking factor is to be included in the calculation of ECL.

Financial assets at FVOCI and AC

In accordance to the three-stage approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. Financial assets which have experienced a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

Financial assets which have not experienced any SICR since initial recognition are classified as Stage 1, and assigned a 12-month ECL. All financial assets are assessed individually for objective evidence of impairment except for:

- Financial assets measured at FVTPL;
- Equity instruments; and
- Local federal governments and local central bank-issued bonds, Treasury Bills and Notes are considered low credit risk that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities in all jurisdictions in which the Company operates.

**(c) Non-financial Assets**

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(viii) Impairment (Contd.)**

**(c) Non-financial Assets (Contd.)**

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

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

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

**(ix) Reinsurance Assets**

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

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

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

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

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

**(ix) Reinsurance Assets (Contd.)**

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that reinsurance assets are impaired. The impairment loss is recognised in profit or loss.

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

**(x) Insurance Receivables**

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

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

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

**(xi) Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

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

**(xiii) Equity Instruments**

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

**(xiv) Product Classification**

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

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

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

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

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

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

**(xiv) Product Classification (Contd.)**

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

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF represent the contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- (a) Likely to be a significant portion of the total contractual benefits;
- (b) Whose amount or timing is contractually at the discretion of the issuer; and
- (c) Contractually based on the:
  - Performance of a specified pool of contracts or a specified type of contract; or
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - The profit or loss of the entity or fund that issues the contract.

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

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

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

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

**(xiv) Product Classification (Contd.)**

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

**(xv) General Insurance Contract Liabilities**

The general insurance contract liabilities of the Company comprise claim liabilities and premium liabilities.

**(a) Claim Liabilities**

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

Liabilities for outstanding claims are recognised upon notification by policyholders.

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

**(b) Premium Liabilities**

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

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

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

**(xv) General Insurance Contract Liabilities (Contd.)**

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

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

The UPR represents the portion of the premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR as at the reporting date, the method that most accurately reflects the actual unearned premium is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business;
- all other classes of business, except treaty, using time-apportionment basis over the period of the risks, after deducting commissions, not exceeding limits specified by BNM; that relate to the unexpired periods of policies at the end of the financial year; and
- all other classes of treaty business with a deduction of commission; at the following bases:
  - i) 1/8th method for quarterly statement
  - ii) 1/24th method for monthly statement

• **Unexpired risk reserves ("URR")**

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

**(xvi) Life Insurance Contract Liabilities**

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

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

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

**(xvi) Life Insurance Contract Liabilities (Contd.)**

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

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

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

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

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

**(xvii) Financial Liabilities**

Financial liabilities are recognised in the statement of financial position when, and only when, the Company become a party to the contractual provisions of the financial instrument.

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

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

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

**(xvii) Financial Liabilities (Contd.)**

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

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

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

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

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

**(xviii) Liability Adequacy Test**

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

**(xix) Insurance Payables**

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

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

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

**(xxi) Premium Income**

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

**(a) General Insurance Business**

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

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

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

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

**(b) Life Insurance Business**

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

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

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

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

**(xxi) Premium Income (Contd.)**

**(b) Life Insurance Business (Contd.)**

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

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

**(xxii) Benefits and Claims Expenses**

**(a) General Insurance Business**

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

**(b) Life Insurance Business**

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

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

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

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

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

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

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

**(a) General Insurance Business**

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

**(b) Life Insurance Business**

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

**(xxiv) Other Revenue Recognition**

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer. Generally, satisfaction of a performance obligation occurs when/as the Company's control of the goods or services is transferred to the customer. Control can be defined as the ability to direct the use of an asset and to obtain substantially all of the remaining benefits from the asset. Control also includes the ability to prevent another entity from directing the use of and obtaining the benefits from an asset.

For each separate performance obligation, the Company will need to determine whether the performance obligation is satisfied by transferring the control of goods or services over time. If the performance obligation is not satisfied over time, then it is satisfied at a point of time.

When/as a performance obligation is satisfied, the Company shall recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained, that is allocated to that performance obligation).

**(a) Interest Income**

Interest income is recognised at a point of time using the effective interest method over the term of the underlying instruments.

**(b) Dividend Income**

Dividend income is recognised at a point of time when the Company's right to receive payment is established.

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

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

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

**(c) Rental Income**

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

**(d) Management Fees**

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

**(xxv) Fee and Commission Income**

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

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

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

**(xxvi) Employee Benefits**

**(a) Short-term Benefits**

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(xxvi) Employee Benefits (Contd.)**

**(b) Defined Contribution Plans**

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

**(c) Share-based Compensation**

Employees' share option scheme ("ESOS")

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

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

Restricted share units ("RSU")

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(xxvi) Employee Benefits (Contd.)**

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

Employees' Share Grant Plan ("ESGP Shares")

The ESGP Shares are awarded to eligible Executive Directors and employees of participating companies within the MBB Group (excluding dormant subsidiaries). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the ESGP Committee.

The total fair value of ESGP Shares granted to eligible employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the ESGP Shares will vest. The fair value of ESGP Shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP Shares were granted. Upon vesting of ESGP Shares, MBB will recognise the impact of the actual numbers of ESGP Shares vested as compared to original estimates.

Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to eligible Executive Directors and employees of participating companies within the MBB Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the MBB Reference Shares will be transferred to the eligible employees.

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(xxvii) Foreign Currencies**

**(a) Functional and Presentation Currency**

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

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

**(b) Foreign Currency Transactions**

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

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(xxvii) Foreign Currencies (Contd.)**

**(c) Foreign Operations**

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

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

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

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

	<b>2018</b>	<b>2017</b>
Brunei Dollar	<u>3.03</u>	<u>3.02</u>

**ETIQA GENERAL INSURANCE BERHAD**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

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

**(xxviii) Income Tax**

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

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

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

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

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

**2.3 Amendments to MFRS**

At the beginning of the current financial year, the Company adopted the following MFRSs, amendments to MFRSs and annual improvements to MFRSs which are mandatory for the financial 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 effects arising from the adoption of these MFRSs, amendments to MFRSs and annual improvements are as disclosed in Note 2.5.

**2.4 Standards and Annual Improvements to Standards Issued but Not Yet Effective**

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3 <i>Business Combinations</i> and MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(ii) Amendments to MFRS 112 <i>Income Tax</i>	1 January 2019
(iii) Amendments to MFRS 123 <i>Borrowing Costs</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
MFRS 10 <i>Consolidated Financial Statements</i> (Amendments to MFRS10) and MFRS 128 <i>Investment in Associates and Joint Ventures</i> (Amendments to MFRS 128): <i>Sale or Contribution of Assets between an investor and its Associate or Joint venture</i> (Amendments to MFRS128)	To be announced by MASB

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

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

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

**MFRS 16 Leases**

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

(i) Lessee

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

(ii) Lessor

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

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

The Company has chosen to apply the standard using the modified restropective approach and has established a project team to study the implication. The final impacts are still being assessed and will be adjusted as necessary.

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

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

**MFRS 17 *Insurance Contracts***

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit or loss, but are recognised directly on the statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

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

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

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

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

(i) Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

(ii) Fair value approach

The CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

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

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

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

**2.5 Changes in accounting policies - 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 certificates liabilities on the date of adoption (i.e. 1 Jan 2018). Details of the changes as described in Notes 2.2(vi) and (viii).

**(a) Classification of financial assets and financial liabilities on the date of initial application**

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018.

		Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
<b>Financial Assets</b>					
Malaysian government papers	A	AFS	FVOCI	92,715	92,715
Debt securities	A	AFS	FVOCI	530,731	530,731
Debt securities	B	AFS	FVTPL	8,780	8,780
Equity securities	C	AFS	FVTPL	156,879	191,649
Unit and property	C	AFS	FVTPL	259	259
Deposits with financial institutions		LAR	AC	374,652	374,652
Financing receivables		LAR	AC	30,672	30,672
Other receivables		LAR	AC	245,927	245,927
Derivative assets		HFT	FVTPL	606	606
				<u>1,441,221</u>	<u>1,475,991</u>
<b>Financial Liabilities</b>					
Other payables		FVTPL	FVTPL	59,661	59,661
				<u>59,661</u>	<u>59,661</u>

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

**2.5 Changes in accounting policies - MFRS 9 *Financial Instruments* (Contd.)**

**(a) Clasification of financial assets and financial liabilities on the date of initial application (Contd.)**

**Notes:**

- A These instruments are managed within a business model of collecting contractual cash flows (SPPI test) and selling the financial assets. Malaysian government papers and debt securities are held to meet everyday liquidity needs. The Company seeks to minimise the costs of managing liquidity needs and therefore actively manage the return on the portfolio. Returns consist of collecting contractual payments as well as gains and losses from the sale of financial assets.
- B Debt securities of RM8.8 million are classified as financial assets at FVTPL as the financial assets whose cash flow characteristic fail the SPPI criterion.
- C Equity securities are measure at FVTPL under MFRS 9 as these instruments do not meet SPPI test and the Company has not elected to measure at FVOCI. In addition, the impact of adopting MFRS 9 on non-trading equity (i.e. unquoted share) is the instruments to be measured at FVTPL. The valuation is made reference to the net tangible assets based on latest available audited financial statements of the company. Previously, these shares were measured at cost.

**(b) Changes in disclosure - MFRS 7**

To reflect the differences between MFRS 9 and MFRS 139, MFRS 7 *Financial Instruments: Disclosures* was also amended. The Company applied the amended disclosure requirements, together with MFRS 9, for the year beginning from 1 January 2018. Detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Notes 2.2(vi) and (viii). Reconciliations from opening to closing ECL allowances are presented in Note 44(i).

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

**2.5 Changes in accounting policies - MFRS 9 *Financial Instruments* (Contd.)**

**(c) Financial effects arising from adoption of MFRS 9 *Financial Instruments***

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

	Original classification under MFRS 139 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1.1.2018 RM'000
<b>Assets</b>				
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
<b>Liabilities</b>				
Deferred tax liabilities	(2,101)	8,345	(437)	5,807
<b>Equities</b>				
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
<b>AFS/FVOCI Reserve</b>	
At 31 December 2017	(5,263)
Transfer to retained earnings	1,066
Recognition of ECL	526
Deferred tax in respect of expected credit loss	(126)
At 1 January 2018	<u>(3,797)</u>
<b>Retained profits</b>	
At 31 December 2017	488,368
Transfer from AFS reserve	(1,066)
Unrealised gain on financial assets at FVTPL	34,770
Recognition of ECL	(2,218)
Deferred tax in respect of:	
- unrealised gain on FVTPL	(8,345)
- expected credit loss	437
At 1 January 2018	<u>511,946</u>

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**3. PROPERTY, PLANT AND EQUIPMENT**

2018	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipments RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2018	60,236	22,413	8,725	5,708	378	97,460
Revaluation before reclassification	62,679	-	-	-	-	62,679
Reclassification to Investment Properties (Note 4)	(115,609)	-	-	-	-	(115,609)
Additions	-	892	1,583	66	-	2,541
Disposals	(6,529)	-	(177)	-	-	(6,706)
At 31 December 2018	777	23,305	10,131	5,774	378	40,365
<b>Accumulated depreciation and impairment losses</b>						
As at 1 January 2018	22,849	20,484	5,230	2,152	289	51,004
Reclassification to Investment Properties (Note 4)	(18,974)	-	-	-	-	(18,974)
Depreciation charge for the year	-	867	1,355	559	70	2,851
Disposals	(3,528)	-	(176)	-	-	(3,704)
At 31 December 2018	347	21,351	6,409	2,711	359	31,177
<b>Analysed as:</b>						
- Accumulated depreciation	347	21,351	6,409	2,711	359	31,177
- Accumulated allowance for impairment losses	-	-	-	-	-	-
<b>Net Book Value at 31 December 2018</b>	347	21,351	6,409	2,711	359	31,177
	430	1,954	3,722	3,063	19	9,188

**ETIQA GENERAL INSURANCE BERHAD**  
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**3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	Properties #	Furniture, fittings, equipment and renovations	Computers and peripherals	Electrical and security equipments	Motor vehicles	Work-in-progress	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
At 1 January 2017	118,626	54,536	12,534	39,768	378	8,631	234,473
Additions	-	1,924	1,967	2,155	-	1,231	7,277
Disposals	-	(858)	(9)	-	-	-	(867)
Transferred between category	-	138	1,345	1,912	-	(3,395)	-
Attributable to disposal group held for sale (Note 16)	(58,390)	(33,327)	(7,112)	(38,127)	-	(6,467)	(143,423)
At 31 December 2017	60,236	22,413	8,725	5,708	378	-	97,460
<b>Accumulated depreciation and impairment losses</b>							
At 1 January 2017	40,485	47,276	8,345	25,206	219	-	121,531
Depreciation charge for the year	2,185	3,408	1,783	2,395	70	-	9,841
Disposals	-	(848)	(5)	-	-	-	(853)
Attributable to disposal group held for sale (Note 16)	(19,821)	(29,352)	(4,893)	(25,449)	-	-	(79,515)
At 31 December 2017	22,849	20,484	5,230	2,152	289	-	51,004
<b>Analysed as:</b>							
- Accumulated depreciation	21,047	20,484	5,230	2,152	289	-	49,202
- Accumulated allowance for impairment losses	1,802	-	-	-	-	-	1,802
	22,849	20,484	5,230	2,152	289	-	51,004
<b>Net Book Value at 31 December 2017</b>	37,387	1,929	3,495	3,556	89	-	46,456

**ETIQA GENERAL INSURANCE BERHAD**  
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**3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

# Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
<b>2018</b>				
<b>Cost</b>				
At 1 January 2018	2,820	6,705	50,711	60,236
Revaluation before reclassification	1,598	1,571	59,509	62,678
Reclassification to Investment Properties (Note 4)	(2,260)	(3,129)	(110,220)	(115,609)
Disposals	(1,791)	(4,737)	-	(6,528)
At 31 December 2018	367	410	-	777
<b>Accumulated depreciation and impairment losses</b>				
At 1 January 2018	692	4,301	17,856	22,849
Reclassification to Investment Properties (Note 4)	-	(1,118)	(17,856)	(18,974)
Disposals	(692)	(2,836)	-	(3,528)
At 31 December 2018	-	347	-	347
<b>Analysed as:</b>				
- Accumulated depreciation	-	347	-	347
- Accumulated allowance for impairment losses	-	-	-	-
	-	347	-	347
<b>Net Book Value at 31 December 2018</b>	367	63	-	430
<b>2017</b>				
<b>Cost</b>				
At 1 January 2017	3,620	8,010	106,996	118,626
Attributable to disposal group held for sale	(800)	(1,305)	(56,285)	(58,390)
At 31 December 2017	2,820	6,705	50,711	60,236
<b>Accumulated depreciation and impairment losses</b>				
At 1 January 2017	746	4,886	34,853	40,485
Depreciation charge for the year	-	45	2,140	2,185
Attributable to disposal group held for sale	(54)	(630)	(19,137)	(19,821)
At 31 December 2017	692	4,301	17,856	22,849
<b>Analysed as:</b>				
- Accumulated depreciation	-	3,191	17,856	21,047
- Accumulated allowance for impairment losses	692	1,110	-	1,802
	692	4,301	17,856	22,849
<b>Net Book Value at 31 December 2017</b>	2,128	2,404	32,855	37,387

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**4. INVESTMENT PROPERTIES**

	Freehold land and buildings	Leasehold land and buildings	Investment property under construction ("IPUC") At cost RM'000	Total RM'000
	<----- At valuation ----->			
	RM'000	RM'000	RM'000	RM'000
<b>2018</b>				
At 1 January 2018	110,364	2,370	-	112,734
Reclassification from Property, Plant and Equipment (Note 3)	4,270	92,365	-	96,635
Reclassification from Prepaid Land Lease Payments (Note 5)	-	43,930	-	43,930
Disposals	-	(520)	-	(520)
Fair value adjustment (Note 29)	15,263	2,715	-	17,978
<b>At 31 December 2018</b>	<b>129,897</b>	<b>140,860</b>	<b>-</b>	<b>270,757</b>
<b>2017</b>				
At 1 January 2017	455,014	222,180	76,691	753,885
Additions	-	-	84,517	84,517
Disposals	-	(91,890)	-	(91,890)
Fair value adjustments (Note 29)	1,850	80	-	1,930
Attributable to disposal group held for sale (Note 16)	(346,500)	(128,000)	(161,208)	(635,708)
<b>At 31 December 2017</b>	<b>110,364</b>	<b>2,370</b>	<b>-</b>	<b>112,734</b>

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

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

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**5. PREPAID LAND LEASE PAYMENTS**

	2018 RM'000	2017 RM'000
<b>Cost</b>		
At 1 January	9,521	24,017
Revaluation before reclassification	36,798	-
Reclassification to Investment Properties (Note 4)	(46,319)	-
Attributable to disposal group held for sale (Note 16)	-	(14,496)
At 31 December	<u>-</u>	<u>9,521</u>
<b>Accumulated amortisation and impairment losses</b>		
At 1 January	2,389	5,053
Amortisation charge for the year	-	408
Reclassification to Investment Properties (Note 4)	(2,389)	-
Attributable to disposal group held for sale (Note 16)	-	(3,072)
At 31 December	<u>-</u>	<u>2,389</u>
<b>Analysed as:</b>		
- Accumulated amortisation	-	2,212
- Accumulated allowance for impairment losses	-	177
	<u>-</u>	<u>2,389</u>
<b>Net book value at 31 December</b>	<u>-</u>	<u>7,132</u>

**6. INTANGIBLE ASSETS**

	Computer Software RM'000	Software Development Costs RM'000	Total RM'000
<b>2018</b>			
<b>Cost</b>			
At 1 January 2018	54,275	3,942	58,217
Additions	6,193	-	6,193
Disposals	-	(20)	(20)
Reclassification	3,922	(3,922)	-
At 31 December 2018	<u>64,390</u>	<u>-</u>	<u>64,390</u>
<b>Accumulated amortisation</b>			
At 1 January 2018	17,331	-	17,331
Amortisation charge for the year	5,690	-	5,690
At 31 December 2018	<u>23,021</u>	<u>-</u>	<u>23,021</u>
<b>Net book value at 31 December 2018</b>	<u>41,369</u>	<u>-</u>	<u>41,369</u>

**ETIQA GENERAL INSURANCE BERHAD**  
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**6. INTANGIBLE ASSETS (CONTD.)**

	<b>Computer Software RM'000</b>	<b>Software Development Costs RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
<b>Cost</b>			
At 1 January 2017	104,028	5,194	109,222
Additions	14,693	2,468	17,161
Disposals	(1,276)	-	(1,276)
Reclassification	3,320	(3,320)	-
Attributable to disposal group held for sale (Note 16)	(66,490)	(400)	(66,890)
At 31 December 2017	<u>54,275</u>	<u>3,942</u>	<u>58,217</u>
<b>Accumulated amortisation</b>			
At 1 January 2017	47,433	-	47,433
Amortisation charge for the year	8,377	-	8,377
Disposal	(1,242)	-	(1,242)
Attributable to disposal group held for sale (Note 16)	(37,237)	-	(37,237)
At 31 December 2017	<u>17,331</u>	<u>-</u>	<u>17,331</u>
<b>Net book value at 31 December 2017</b>	<u>36,944</u>	<u>3,942</u>	<u>40,886</u>

**7. INVESTMENT IN SUBSIDIARY**

		2018	2017
		RM1	RM1
Unquoted shares, at cost			
No. of shares		1	1
Name of company	Principal activity	Effective interest (%) 2018	2017
Double Care Sdn Bhd ("DCSB") (Incorporated in Malaysia)	Dormant (in member's voluntary winding-up)	100.00	100.00

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

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**8. INVESTMENT IN ASSOCIATE**

		<b>2018</b>	<b>2017</b>
		<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost		152	152
<b>Name of company</b>	<b>Principal activity</b>	<b>Effective interest (%)</b>	
		<b>2018</b>	<b>2017</b>
Asian Forum Inc. (Incorporated in Federal Territory of Labuan, Malaysia)	Offshore captive insurance	33.33	33.33

The financial year end of the associate is 31 December. The latest available financial information of the associate for the financial period ended 30 September 2018 were used for the purpose of the above disclosures.

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

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**9. INVESTMENTS**

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
			(Note 16)	
Malaysian government papers	108,379	92,715	328,334	421,049
Debt securities	626,791	539,511	6,187,067	6,726,578
Equity securities	126,572	156,879	1,789,490	1,946,369
Unit and property trust funds	-	259	111,108	111,367
Structured products (Note 10)	-	-	389,631	389,631
Negotiable certificates of deposit ("NCD")	-	-	145,463	145,463
Deposits with financial institutions	245,774	374,652	610,794	985,446
	<u>1,107,516</u>	<u>1,164,016</u>	<u>9,561,887</u>	<u>10,725,903</u>

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

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
			(Note 16)	
Fair value through profit or loss ("FVTPL")				
- Designated upon initial recognition	12,704	-	6,717,747	6,717,747
- Held for trading ("HFT")	126,572	-	1,298,693	1,298,693
Fair value through other comprehensive income ("FVOCI")	722,466	-	-	-
Amortised cost ("AC")	245,774	-	-	-
Available-for-sale ("AFS")	-	789,364	934,653	1,724,017
Loans and receivables ("LAR")	-	374,652	610,794	985,446
	<u>1,107,516</u>	<u>1,164,016</u>	<u>9,561,887</u>	<u>10,725,903</u>

The following investments mature after 12 months:

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
FVTPL				
- Designated upon initial recognition	-	-	6,165,783	6,165,783
- HFT	-	-	329,850	329,850
FVOCI	687,105	-	-	-
AFS	-	497,369	-	497,369
	<u>687,105</u>	<u>497,369</u>	<u>6,495,633</u>	<u>6,993,002</u>

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**9. INVESTMENTS (CONTD.)**

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	RM'000
<b>(a) FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
<u>At fair value</u>				
Malaysian government papers	-	-	240,275	240,275
Debt securities:				
Unquoted in Malaysia	5,028	-	5,796,768	5,796,768
Unquoted outside Malaysia	7,676	-	148,646	148,646
Structured products (Note 10)	-	-	386,595	386,595
Negotiable certificates of deposit	-	-	145,463	145,463
	<u>12,704</u>	<u>-</u>	<u>6,717,747</u>	<u>6,717,747</u>
<b>(ii) HFT</b>				
<u>At fair value</u>				
Malaysian government papers	-	-	88,059	88,059
Unquoted debt securities in Malaysia	-	-	241,653	241,653
Equity securities				
Quoted in Malaysia	42,784	-	912,914	912,914
Quoted outside Malaysia	98	-	-	-
Unquoted in Malaysia	83,690	-	-	-
Unit and property trust funds:				
Quoted in Malaysia	-	-	1,740	1,740
Quoted outside Malaysia	-	-	51,291	51,291
Structured products (Note 10)	-	-	3,036	3,036
	<u>126,572</u>	<u>-</u>	<u>1,298,693</u>	<u>1,298,693</u>
Total FVTPL financial assets	<u>139,276</u>	<u>-</u>	<u>8,016,440</u>	<u>8,016,440</u>

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**9. INVESTMENTS (CONTD.)**

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
<b>(b) FVOCI</b>				
<u>At fair value</u>				
Malaysian government papers	108,379	-	-	-
Debt securities unquoted in Malaysia	614,087	-	-	-
Total FVOCI financial assets	722,466	-	-	-

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
<b>(c) AC</b>				
Fixed and call deposits with:				
Licensed banks	240,723	-	-	-
Other financial institutions	5,051	-	-	-
Total AC financial assets	245,774	-	-	-

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

Included in fixed and call deposits with licensed banks are assets amounting to RM35,000,000 (2017: RM35,000,000) which have been pledged to obtain a banking facility from MBB.

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**9. INVESTMENTS (CONTD.)**

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
<b>(d) AFS</b>				
<u>At fair value</u>				
Malaysian government papers	-	92,715	-	92,715
Debt securities:				
Unquoted in Malaysia	-	530,731	-	530,731
Unquoted outside Malaysia	-	8,780	-	8,780
Equity securities:				
Quoted in Malaysia	-	110,855	868,470	979,325
Quoted outside Malaysia	-	522	1,357	1,879
Quoted unit and property trust funds:				
Quoted in Malaysia	-	259	58,068	58,327
Quoted outside Malaysia	-	-	9	9
	-	743,862	927,904	1,671,766

At cost

Unquoted equity securities  
in Malaysia:

Cost

Less: Allowance for  
impairment losses

-	47,790	6,932	54,722
-	(2,288)	(183)	(2,471)
-	45,502	6,749	52,251
-	789,364	934,653	1,724,017

Total AFS financial assets

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
<b>(e) LAR</b>				
Fixed and call deposits with:				
Licensed banks	-	345,502	600,584	946,086
Other financial institutions	-	29,150	10,210	39,360
Total LAR financial assets	-	374,652	610,794	985,446
<b>Total financial assets</b>	1,107,516	1,164,016	9,561,887	10,725,903

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

**Fair Value of Financial Investments**

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

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**10. STRUCTURED PRODUCTS**

With the adoption of MFRS 9 *Financial Instruments* on 1 January 2018, structured products of the Company are classified as FVTPL. MFRS 9 removed the bifurcation of embedded derivatives concept for financial assets and hybrid financial assets would be classified and measured in their entirety at FVTPL rather than being subject to complex requirements under MFRS 139 *Financial Instruments: Recognition and Measurement*.

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

	<----- 2018 ----->		<-----2017----->	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Discontinued operations Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
<b>Financial assets at FVTPL</b>				
Structured deposits	-	-	400,000	386,594
Index linked notes	-	-	33,663	3,037
		-		389,631
<b>Total structured products</b>		-		389,631

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

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**11. FINANCING RECEIVABLES**

	2018	<-----2017----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
Policy/automatic premium loans	-	-	209,454	209,454
Staff loans - secured	27,210	29,269	-	29,269
Non staff loans	7,000	6,757	-	6,757
	<u>34,210</u>	<u>36,026</u>	<u>209,454</u>	<u>245,480</u>
Allowance for impairment losses (Note 44(i))	(5,507)	(5,354)	(657)	(6,011)
	<u>28,703</u>	<u>30,672</u>	<u>208,797</u>	<u>239,469</u>
Receivable after 12 months	<u>23,260</u>	<u>26,966</u>	<u>-</u>	<u>26,966</u>

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

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

	2018	<-----2017----->	
	Per annum	Continuing operations Per annum	Discontinued operations Per annum
Policy/automatic premium loans	-	-	8.00%
Staff loans	4.02%	4.07%	-
Non-staff loans	6.60%	6.45%	-

**12. REINSURANCE ASSETS**

	2018	<-----2017----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
Reinsurers' share of:				
- General insurance contract liabilities (Note 19)	2,705,990	2,610,399	-	2,610,399
- Life insurance contract liabilities (Note 19)	-	-	32,963	32,963
	<u>2,705,990</u>	<u>2,610,399</u>	<u>32,963</u>	<u>2,643,362</u>
Allowance for impairment losses (Note 44 (i))	(2,642)	(1,924)	-	(1,924)
	<u>2,703,348</u>	<u>2,608,475</u>	<u>32,963</u>	<u>2,641,438</u>

Included in reinsurance assets are balances due from related parties amounting to RM700,292 (2017: NIL).

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**13. INSURANCE RECEIVABLES**

	2018	<-----2017----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
Due premiums including agents/ brokers and co-insurers balances	304,554	208,208	18,995	227,203
Due from reinsurers and cedants	43,769	183,050	1,949	184,999
	<u>348,323</u>	<u>391,258</u>	<u>20,944</u>	<u>412,202</u>
Allowance for impairment losses (Note 44(i))	(1,593)	(6,447)	(275)	(6,722)
	<u>346,730</u>	<u>384,811</u>	<u>20,669</u>	<u>405,480</u>

Certain insurance receivables have been offset against the amount due to the same counterparties as follows:

	Gross amount recognised in insurance payables offset in Statement of Financial Position		Net amounts in the Statement of Financial Position
	Gross carrying amount	RM'000	RM'000
	RM'000	(Note 22)	
<b>2018</b>			
Due premiums including agents/brokers and co-insurers balances	316,565	(12,011)	304,554
Due from reinsurers and cedants	44,326	(557)	43,769
	<u>360,891</u>	<u>(12,568)</u>	<u>348,323</u>
<b>2017</b>			
<b>Continuing operations</b>			
Due premiums including agents/brokers and co-insurers balances	220,237	(12,029)	208,208
Due from reinsurers and cedants	183,604	(554)	183,050
	<u>403,841</u>	<u>(12,583)</u>	<u>391,258</u>

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**13. INSURANCE RECEIVABLES (CONTD.)**

Certain insurance receivables have been offset against the amount due to the same counterparties as follows (Contd.):

	Gross carrying amount RM'000	Gross amount recognised in insurance payables offset in Statement of Financial Position RM'000 (Note 22)	Net amounts in the Statement of Financial Position RM'000
<b>2017</b>			
<b>Discontinued operations</b>			
Due premiums including agents/brokers and co-insurers balances	18,995	-	18,995
Due from reinsurers and cedants	17,029	(15,080)	1,949
	<u>36,024</u>	<u>(15,080)</u>	<u>20,944</u>

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

Included in due premiums including agents/brokers and co-insurers balances and due from reinsurers and cedants are balances due from related parties amounting to RM8,874,992 and RM11,646,206 (2017: RM8,848,104 and NIL respectively). The amounts receivable are subject to settlement terms stipulated in the underlying insurance contracts.

**14. OTHER RECEIVABLES**

	2018 RM'000	2017 Continuing operations RM'000	2017 Discontinued operations RM'000 (Note 16)	Total RM'000
Amount due from stockbrokers	5,261	4,602	108,870	113,472
Share of net assets in Malaysia Motor Insurance Pool ("MMiP")	56,398	56,905	-	56,905
Amount due from Fund Manager	-	-	809	809
Investment property receivables	-	178,251	-	178,251
Good and service tax recoverable	7,640	-	-	-
Sundry receivables, deposits and prepayments	5,198	5,533	951	6,484
Allowance for impairment losses (Note 44(i))	(2)	-	(289)	(289)
	<u>5,196</u>	<u>5,533</u>	<u>662</u>	<u>6,195</u>

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**14. OTHER RECEIVABLES (CONTD.)**

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
			(Note 16)	
Income due and accrued	12,195	7,583	112,664	120,247
Allowance for impairment losses				
(Note 44(i))	-	-	(106)	(106)
	<u>12,195</u>	<u>7,583</u>	<u>112,558</u>	<u>120,141</u>
Amounts due from/(to) related companies* (Note 41(b)):				
- Ultimate holding company	203	849	15	864
- Other related companies	3,963	(7,796)	13,518	5,722
	<u>4,166</u>	<u>(6,947)</u>	<u>13,533</u>	<u>6,586</u>
	<u>90,856</u>	<u>245,927</u>	<u>236,432</u>	<u>482,359</u>

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

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

Included in sundry receivables, deposits and prepayments and income due and accrued are balances due from related parties amounting to NIL and RM871,203 (2017: RM908,826 and RM2,182,072) respectively.

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**15. DERIVATIVES**

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

	<----- 2018 ----->			<----- 2017 ----->		
	Principal/		Continuing operations		Discontinued operations	
	Notional Amount RM'000	Asset RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
<b>Hedging derivatives:</b>						
Forward foreign exchange contract	9,582	82	-	10,214	606	-
Cross currency swap	-	-	-	-	-	-
		82	-		606	-
						25,791
					2,230	25,791
<b>Total derivatives</b>		82	-		2,230	25,791

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

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**15. DERIVATIVES (CONTD.)**

For hedging derivatives:

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments. The Company enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in USD denominated mutual funds, AUD and SGD denominated debt and equities securities.

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**16. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE**

On 1 January 2018, the life business was transferred into the new Company, Etiqa Life Insurance Berhad ("ELIB") upon successful completion of the Licence Split.

**Statement of financial position disclosure**

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

	<b>Note</b>	<b>2017 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	3	63,908
Investment properties	4	635,708
Prepaid land lease payments	5	11,424
Intangible assets	6	29,653
Investments	9	9,561,887
Financing receivables	11	208,797
Reinsurance assets	12	32,963
Insurance receivables	13	20,669
Other receivables	14	236,432
Derivative assets	15	2,230
Cash and bank balances		142,199
<b>Total Assets</b>		<b>10,945,870</b>
<b>Equity</b>		
Non-distributable non-par fund surplus	18	1,768,679
Available-for-sale reserves	18	(2,481)
<b>Total Equity</b>		<b>1,766,198</b>
<b>Liabilities</b>		
Insurance contract liabilities	19	8,193,491
Derivative liabilities	15	25,791
Deferred tax liabilities, net	21	578,656
Insurance payables	22	15,281
Other payables	23	366,453
<b>Total Liabilities</b>		<b>9,179,672</b>
<b>Total Equity and Liabilities</b>		<b>10,945,870</b>

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

**Income statement disclosures**

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

	<b>Note</b>	<b>2017 RM'000</b>
<b>Operating revenue</b>	24	<u>1,837,080</u>
Gross earned premiums	25(a)	1,383,884
Earned premiums ceded to reinsurers	25(b)	<u>(23,683)</u>
<b>Net earned premiums</b>		<u>1,360,201</u>
Fee and commission income	26	3,098
Investment income	27	453,196
Realised gains	28	245,710
Fair value gains	29	69,652
Other operating income expenses	30	<u>(74,822)</u>
<b>Other revenue</b>		<u>696,834</u>
Gross benefits and claims paid	31(a)	(1,236,272)
Claims ceded to reinsurers	31(b)	12,848
Gross change in contract liabilities	31(c)	(327,870)
Change in contract liabilities ceded to reinsurers	31(d)	<u>7,196</u>
<b>Net benefits and claims</b>		<u>(1,544,098)</u>
Management expenses	32	(123,173)
Fee and commission expenses	34	(104,490)
Taxation borne by policyholders	35	<u>(47,740)</u>
<b>Other expenses</b>		<u>(275,403)</u>
<b>Profit before taxation</b>		237,534
Taxation	35	<u>(48,646)</u>
<b>Net profit for the year</b>		<u>188,888</u>

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

**Other comprehensive income disclosures**

	<b>2017</b> <b>RM'000</b>
<b>Net profit for the year</b>	<u>188,888</u>
<b>Other comprehensive loss:</b>	
<b>Items that may be subsequently reclassified to income statement</b>	
Change in value of AFS financial assets, net	
- Fair value changes	199,321
- Transfer to profit or loss upon disposal	(178,845)
- Fair value adjustment for AFS financial assets backing the Participating Fund	(44,016)
Tax effect relating to AFS financial assets	5,548
<b>Other comprehensive loss from discontinued operations for the year, net of tax</b>	<u>(17,992)</u>
<b>Total comprehensive income from discontinued operation for the year, net of tax</b>	<u>170,896</u>

**Statement of cash flows disclosures**

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

	<b>2017</b> <b>RM'000</b>
<b>Cash flows from:</b>	
Operating activities	586,461
Investing activities	(517,550)
Net cash outflows	<u>68,911</u>
<b>Cash and cash equivalents:</b>	
Cash and cash equivalents at beginning of financial year	<u>73,288</u>
Cash and cash equivalents at end of financial year	<u>142,199</u>

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**17. SHARE CAPITAL**

	<-- Number of shares-->		<----- Amount ----->	
	2018	2017	2018	2017
	Units '000	Units '000	RM'000	RM'000
<b>Issued and Fully Paid:</b>				
<u>Ordinary Shares</u>				
At 1 January	152,151	152,151	169,879	152,151
Issuance of new shares	60,000	-	60,000	-
Transfer from share premium*	-	-	-	17,728
At 31 December	<u>212,151</u>	<u>152,151</u>	<u>229,879</u>	<u>169,879</u>

On 3 July 2018, the holding company, MAHB, injected additional capital into the Company by way of the issuance of 60,000,000 new ordinary shares for cash, amounting to a total of RM60 million. This resulted in an increase in the number of ordinary shares from 152,151,399 to 212,151,399 and issued and paid-up capital from RM169,878,927 to RM229,878,927.

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

**18. RESERVES**

		2018	<-----2017----->		
	Note	RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
<b><u>Non-distributable:</u></b>					
<b>FVOCI/AFS reserve</b>	(i)	1,197	(5,263)	(2,481)	(7,744)
<b><u>Other reserves:</u></b>					
Revaluation reserve	(ii)	76,391	1,073	-	1,073
Currency translation reserve	(iii)	13,876	13,647	-	13,647
		<u>90,267</u>	<u>14,720</u>	<u>-</u>	<u>14,720</u>
<b><u>Retained earnings:</u></b>					
Distributable retained profits	(iv)	637,858	488,368	-	488,368
Non-distributable non-Par fund surplus	(v)	-	-	1,768,679	1,768,679
		<u>637,858</u>	<u>488,368</u>	<u>1,768,679</u>	<u>2,257,047</u>
<b>Total reserves</b>		<u>729,322</u>	<u>497,825</u>	<u>1,766,198</u>	<u>2,264,023</u>

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**18. RESERVES (CONTD.)**

- (i) The FVOCI/AFS reserve arose from the changes in the fair value of the financial assets at FVOCI of the Company.
- (ii) The revaluation reserve represents the difference between the carrying amount of properties previously classified as self occupied and transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.
- (iii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Company.
- (iv) The entire distributable retained profits may be distributed to the shareholder under the single-tier system.
- (v) Non-distributable non-par surplus represents the unallocated surplus from the non-DPF fund. In accordance with the Financial Services Act 2013, the unallocated surplus is only available for distribution to the shareholders' fund upon approval by the Appointed Actuary. Upon such approval, the distribution is presented as a transfer from non-distributable non-par surplus to distributable retained profits.

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**19. INSURANCE CONTRACT LIABILITIES**

	<----- 2018 ----->		<----- 2017 ----->		<----- 2017 ----->	
	Gross Reinsurance	Net	Continuing operations		Discontinued operations	
	RM'000	RM'000	Gross Reinsurance	Net	Gross Reinsurance	Net
	(Note 12)		RM'000	RM'000	RM'000	RM'000
General insurance (Note A)	3,243,212	537,222	(2,705,990)	(2,610,399)	-	-
Life insurance (Note B)	-	-	-	512,121	8,193,491	8,160,528
	<u>3,243,212</u>	<u>537,222</u>	<u>(2,705,990)</u>	<u>(2,610,399)</u>	<u>8,193,491</u>	<u>(32,963)</u>
						<u>8,160,528</u>

**(A) General insurance**

	<----- 2018 ----->		<----- 2017 ----->	
	Gross Reinsurance	Net	Gross Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000
Claims liabilities (i)	2,764,447	(2,448,675)	2,710,436	(2,387,292)
Premium liabilities (ii)	478,765	(257,315)	412,084	(223,107)
	<u>3,243,212</u>	<u>(2,705,990)</u>	<u>3,122,520</u>	<u>(2,610,399)</u>
				<u>512,121</u>

**ETIQA GENERAL INSURANCE BERHAD**  
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**19. INSURANCE CONTRACT LIABILITIES (CONTD.)**

**(A) General insurance (Contd.)**

**(i) Claims liabilities**

	<----- 2018 ----->		<----- 2017 ----->	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Net RM'000
At 1 January	2,710,436	(2,387,292)	323,144	388,613
Claims incurred in the current accident year	623,354	(407,003)	216,351	205,401
Other movements in claims incurred in prior accident years	(68,309)	68,168	(141)	(29,522)
Claims paid during the year (Note 31)	(520,768)	294,449	(226,319)	(229,539)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,055	-	1,055	(10,305)
Movements in PRAD	18,679	(16,997)	1,682	111,131
<b>At 31 December</b>	<b>2,764,447</b>	<b>(2,448,675)</b>	<b>315,772</b>	<b>323,144</b>

**(ii) Premium liabilities**

	<----- 2018 ----->		<----- 2017 ----->	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Net RM'000
At 1 January	412,084	(223,107)	188,977	186,161
Premiums written in the year (Note 25)	1,215,077	(757,123)	457,954	417,014
Premiums earned during the year (Note 25)	(1,148,396)	722,915	(425,481)	(414,198)
<b>At 31 December</b>	<b>478,765</b>	<b>(257,315)</b>	<b>221,450</b>	<b>188,977</b>

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**19. INSURANCE CONTRACT LIABILITIES (CONTD.)**

**(B) Life Insurance (Discontinued operations)**

**(i) Life insurance contract liabilities**

	<----- 2018 ----->			<----- 2017 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Discontinued operations		Net RM'000
Claims liabilities	-	-	-	61,277	(3,393)	57,884
Actuarial liabilities	-	-	-	6,146,954	(29,570)	6,117,384
Participating fund unallocated surplus	-	-	-	621,836	-	621,836
Participating fund AFS reserve	-	-	-	(4,621)	-	(4,621)
NAV attributable to unitholders	-	-	-	1,368,045	-	1,368,045
	-	-	-	8,193,491	(32,963)	8,160,528

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**19. INSURANCE CONTRACT LIABILITIES (CONTD.)**

**(B) Life Insurance (Discontinued operations) (Contd.)**

**(ii) Movements of life insurance contract liabilities**

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

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**20. SUBORDINATED OBLIGATION**

		2018 RM'000	2017 RM'000
RM500 million Tier 2 Capital Subordinated Bond		-	500,000
Interest payable		-	10,119
Issue date	: 5 July 2013		
Tenure	: 10 years from issue date on a 10 non-callable 5 basis (due in 2023).		
Interest Payable	: 4.13% per annum payable semi-annually in arrears in January and July each year.		
Redemption	: The Company has redeemed the bond, in whole on 5 July 2018 (first call date) (Note 48).		

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**21. DEFERRED TAX, NET**

	2018 RM'000	2017 RM'000
At 1 January (as previously stated)	2,101	(586,137)
Effect of adopting MFRS 9	(7,908)	-
At 1 January (as restated)	(5,807)	(586,137)
Recognised in:		
Income statement (Note 35)	(3,090)	(3,584)
- Taxation borne by policyholders	-	1,862
- Tax expense	(3,090)	(5,446)
Other comprehensive income (Note 35)	(25,452)	9,331
Insurance contract liabilities (Note 19)	-	3,835
Attributable to disposal group held for sale (Note 16)	-	578,656
<b>At 31 December</b>	<b>(34,349)</b>	<b>2,101</b>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows:

2018	<-----2017----->
RM'000	Continuing operations RM'000
	Discontinued operations RM'000 (Note 16)

Presented after appropriate offsetting as follows:

Deferred tax assets	1,805	6,328	4,143
Deferred tax liabilities	(36,154)	(4,227)	(582,799)
	<u>(34,349)</u>	<u>2,101</u>	<u>(578,656)</u>

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**21. DEFERRED TAX, NET (CONTD.)**

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

**Deferred Tax Assets**

	Impairment on receivables RM'000	Amortisation of premiums on investments RM'000	FVOCI/AFS reserves RM'000	Impairment on investments RM'000	Unrealised currency exchange RM'000	Total RM'000
<b>2018</b>						
At 1 January 2018 (as previously stated)	1,813	1,169	1,661	1,555	130	6,328
Effect of adopting MFRS 9	437	-	(463)	126	-	100
At 1 January 2018 (as restated)	2,250	1,169	1,198	1,681	130	6,428
Recognised in:						
Income statement	(1,455)	(631)	-	(1,492)	153	(3,425)
- Tax expense	(1,455)	(631)	-	(1,492)	153	(3,425)
Other comprehensive income	-	-	(1,198)	-	-	(1,198)
<b>At 31 December 2018</b>	<b>795</b>	<b>538</b>	<b>-</b>	<b>189</b>	<b>283</b>	<b>1,805</b>
<b>2017</b>						
At 1 January 2017	2,336	2,292	(1)	3,495	-	8,122
Recognised in:						
Income statement	(338)	(140)	-	(88)	130	(436)
- Taxation borne by policyholders	21	(327)	-	(147)	-	(453)
- Tax expense	(359)	187	-	59	130	17
Other comprehensive income	-	-	2,413	-	-	2,413
Insurance contract liabilities	-	-	372	-	-	372
Attributable to disposal group held for sale (Note 16)	(185)	(983)	(1,123)	(1,852)	-	(4,143)
<b>At 31 December 2017</b>	<b>1,813</b>	<b>1,169</b>	<b>1,661</b>	<b>1,555</b>	<b>130</b>	<b>6,328</b>

**ETIQA GENERAL INSURANCE BERHAD**  
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**21. DEFERRED TAX, NET (CONTD.)**

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

**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	FVOCI/AFS reserves RM'000	Non- Participating fund unallocated surplus RM'000	Unrealised currency exchange RM'000	General insurance liabilities RM'000	Unit linked RM'000	Total RM'000
<b>2018</b>								
At 1 January 2018 (as previously stated)	(3,338)	(192)	-	-	-	(697)	-	(4,227)
Effect of adopting MFRS 9	-	(8,008)	-	-	-	-	-	(8,008)
At 1 January 2018 (as restated)	(3,338)	(8,200)	-	-	-	(697)	-	(12,235)
Recognised in:								
Income statement	(2,004)	1,933	-	-	-	406	-	335
- Tax expense	(2,004)	1,933	-	-	-	406	-	335
Other comprehensive income	-	(23,875)	(379)	-	-	-	-	(24,254)
<b>At 31 December 2018</b>	(5,342)	(30,142)	(379)	-	-	(291)	-	(36,154)
<b>2017</b>								
At 1 January 2017	(5,718)	(35,737)	(10,381)	(536,236)	(4,224)	-	(1,963)	(594,259)
Recognised in:								
Income statement	410	21,819	-	(22,293)	2,460	(697)	(4,847)	(3,148)
- Taxation borne by policyholders	(282)	5,000	-	-	2,444	-	(4,847)	2,315
- Tax expense	692	16,819	-	(22,293)	16	(697)	-	(5,463)
Other comprehensive income	-	-	6,918	-	-	-	-	6,918
Insurance contract liabilities	-	-	3,463	-	-	-	-	3,463
Attributable to disposal group held for sale (Note 16)	1,970	13,726	-	558,529	1,764	-	6,810	582,799
<b>At 31 December 2017</b>	(3,338)	(192)	-	-	-	(697)	-	(4,227)

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**22. INSURANCE PAYABLES**

	2018	<-----2017----->		
	RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Due to agents and intermediaries	62,430	65,968	10,407	76,375
Due to reinsurers and cedants	341,416	252,414	4,874	257,288
	<u>403,846</u>	<u>318,382</u>	<u>15,281</u>	<u>333,663</u>

Certain insurance payables have been offset against the amount due from the same counterparties as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 13)	Net amounts in the Statement of Financial Position RM'000
<b>2018</b>			
Due to agents and intermediaries	74,441	(12,011)	62,430
Due to reinsurers and cedants	341,973	(557)	341,416
	<u>416,414</u>	<u>(12,568)</u>	<u>403,846</u>
<b>2017</b>			
<b>Continuing operations</b>			
Due to agents and intermediaries	77,997	(12,029)	65,968
Due to reinsurers and cedants	252,968	(554)	252,414
	<u>330,965</u>	<u>(12,583)</u>	<u>318,382</u>
<b>2017</b>			
<b>Discontinued operations</b>			
Due to agents and intermediaries	10,407	-	10,407
Due to reinsurers and cedants	19,954	(15,080)	4,874
	<u>30,361</u>	<u>(15,080)</u>	<u>15,281</u>

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

Included in amount due to reinsurers and cedants are balances due to related parties amounting to NIL (2017:RM580,522).

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**23. OTHER PAYABLES**

	2018	<-----2017----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
Premium deposits	-	-	73,037	73,037
Dividend payable to policyholders	-	-	80,316	80,316
Amounts due to related companies*				
(Note 41 (b)):				
- Immediate holding company	1,564	771	195	966
- Other related companies	7,291	92	2	94
Amount due to subsidiary*				
(Note 41 (b)):	1,632	1,637	-	1,637
Amount due to stockbrokers	-	-	13,363	13,363
Claims pending disbursement	-	76	15,782	15,858
Sundry payables and accrued liabilities	86,207	57,085	183,758	240,843
	<u>96,694</u>	<u>59,661</u>	<u>366,453</u>	<u>426,114</u>

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

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

Included in sundry payables and accrued liabilities are balances due to related parties amounting to RM18,316 (2017: NIL).

**24. OPERATING REVENUE**

Operating revenue of the Company comprises gross written premiums and income from investment activities.

	2018	<-----2017----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
Gross premiums (Note 25)	1,215,077	1,105,313	1,383,884	2,489,197
Investment income (Note 27)	59,581	100,776	453,196	553,972
	<u>1,274,658</u>	<u>1,206,089</u>	<u>1,837,080</u>	<u>3,043,169</u>

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**25. NET EARNED PREMIUMS**

	2018	<----- 2017 ----->		
	RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
<b>(a) Gross Earned Premiums</b>				
Life insurance contracts (Note 19)	-	-	1,383,884	1,383,884
General insurance contracts	1,215,077	1,105,313	-	1,105,313
Gross premiums (Note 24)	1,215,077	1,105,313	1,383,884	2,489,197
Gross change in premium liabilities	(66,681)	14,823	-	14,823
Gross earned premiums (Note 19)	1,148,396	1,120,136	1,383,884	2,504,020
<b>(b) Earned Premiums ceded to reinsurers</b>				
Life insurance contracts	-	-	(23,683)	(23,683)
General insurance contracts	(757,123)	(688,299)	-	(688,299)
Premiums ceded to reinsurers	(757,123)	(688,299)	(23,683)	(711,982)
Change in premium liabilities ceded to reinsurers	34,208	(17,639)	-	(17,639)
Earned premiums ceded to reinsurers	(722,915)	(705,938)	(23,683)	(729,621)
<b>Net earned premiums</b>	425,481	414,198	1,360,201	1,774,399

**26. FEE AND COMMISSION INCOME**

	2018	<----- 2017 ----->		
	RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Reinsurance commission income	61,481	57,294	3,098	60,392

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**27. INVESTMENT INCOME**

	2018	<----- 2017 ----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
			(Note 16)	
<b>Financial assets at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Interest income	1,863	-	336,053	336,053
<b>(ii) HFT</b>				
Interest income	3	-	15,953	15,953
Dividend income				
- Quoted in Malaysia	1,669	-	20,589	20,589
- Unquoted in Malaysia	73	-	-	-
- Quoted outside Malaysia	7	-	-	-
- Unit and property trusts	5	-	107	107
<b>Financial assets at FVOCI</b>				
Interest income	35,479	-	-	-
<b>Financial assets at AC</b>				
Interest income	13,211	-	-	-
<b>AFS financial assets</b>				
Interest income	-	72,238	-	72,238
Dividend income				
- Quoted in Malaysia	-	3,450	21,121	24,571
- Quoted outside Malaysia	-	-	370	370
- Unquoted in Malaysia	-	73	706	779
- Unit and property trusts	-	5	2,133	2,138
<b>LAR</b>				
Interest income	-	15,322	28,683	44,005
Interest income from financing receivables and other loans	1,361	1,001	17,176	18,177
Rental income	11,517	6,979	33,358	40,337
Rental expense	(4,342)	(780)	(12,363)	(13,143)
Amortisation of premiums/ (accretion of discount), net	(982)	2,927	(7,988)	(5,061)
Investment related expenses	(283)	(439)	(2,702)	(3,141)
<b>Total investment income</b>	<b>59,581</b>	<b>100,776</b>	<b>453,196</b>	<b>553,972</b>

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**28. REALISED GAINS**

	2018	<----- 2017 ----->		
	RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Realised gain/(loss) on disposal of:				
- Property, plant and equipment	4,001	(6)	-	(6)
- Investment property	(183)	75,819	-	75,819
<b>Financial assets at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Realised gains/(losses):				
- Malaysian government papers	-	-	3,390	3,390
- Debt securities	(42)	-	19,358	19,358
- Other investment	1,340	-	-	-
	<u>1,298</u>	<u>-</u>	<u>22,748</u>	<u>22,748</u>
<b>(ii) HFT</b>				
Realised gains/(losses):				
- Malaysian government papers	-	-	87	87
- Equity securities	(17,925)	-	33,488	33,488
- Debt securities	1	-	(630)	(630)
- Unit and property trust funds	(38)	-	(252)	(252)
- Derivatives	-	-	11,425	11,425
	<u>(17,962)</u>	<u>-</u>	<u>44,118</u>	<u>44,118</u>
<b>Financial assets at FVOCI</b>				
Realised gains:				
- Malaysian government papers	122	-	-	-
- Debt securities	1,399	-	-	-
	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>AFS financial assets</b>				
Realised gains/(losses):				
- Malaysian government papers	-	429	-	429
- Equity securities	-	29,985	171,056	201,041
- Debt securities	-	(4,400)	-	(4,400)
- Unit and property trust funds	-	(5)	7,788	7,783
	<u>-</u>	<u>26,009</u>	<u>178,844</u>	<u>204,853</u>
<b>Total realised (loss)/gains</b>	<u>(11,325)</u>	<u>101,822</u>	<u>245,710</u>	<u>347,532</u>

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**29. FAIR VALUE GAINS**

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
<b>Investment properties</b>				
Fair value gain	17,978	280	1,650	1,930
<b>Financial assets at FVTPL</b>				
(i) Designated upon initial recognition	(467)	-	(29,099)	(29,099)
(ii) HFT	2,326	606	97,101	97,707
Total fair value gains on financial assets at FVTPL	1,859	606	68,002	68,608
<b>Total fair value gains</b>	19,837	886	69,652	70,538

**30. OTHER OPERATING INCOME/(EXPENSES), NET**

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
<b>Other income</b>				
Realised gain on foreign exchange	-	337	-	337
Reversal of impairment losses on - insurance receivables	6,654	3,217	-	3,217
Bad debt recovered	4,734	-	-	-
Sundry income	11,277	6,012	1,694	7,706
	22,665	9,566	1,694	11,260
<b>Other expenses</b>				
Impairment losses on - financing receivables	(137)	(4,420)	(110)	(4,530)
- insurance receivables	-	-	(22)	(22)
- reinsurance assets	(718)	(1,395)	-	(1,395)
- AFS equity securities	-	(6,490)	(18,275)	(24,765)
- investment	(60)	-	-	-
- other receivables	-	-	(32)	(32)
Bad debts written off	-	(588)	(24)	(612)
Unrealised loss on foreign exchange	(469)	(920)	(41,671)	(42,591)
Realised loss on foreign exchange	(286)	(335)	(12,510)	(12,845)
Sundry expenditure	-	(107)	(3,872)	(3,979)
	(1,670)	(14,255)	(76,516)	(90,771)
<b>Total other operating income/(expenses), net</b>	20,995	(4,689)	(74,822)	(79,511)

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**31. NET BENEFITS AND CLAIMS**

	2018	<----- 2017 ----->		
	RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
<b>(a) Gross Benefits and Claims Paid (Note 19)</b>				
Insurance contracts:				
Life	-	-	1,236,272	1,236,272
General	520,768	784,843	-	784,843
	<u>520,768</u>	<u>784,843</u>	<u>1,236,272</u>	<u>2,021,115</u>
<b>(b) Claims Ceded to Reinsurers</b>				
Insurance contracts:				
Life	-	-	(12,848)	(12,848)
General	(294,449)	(555,304)	-	(555,304)
	<u>(294,449)</u>	<u>(555,304)</u>	<u>(12,848)</u>	<u>(568,152)</u>
<b>(c) Gross Change in Contract Liabilities</b>				
Insurance contracts:				
Life	-	-	327,870	327,870
General	54,011	(727,337)	-	(727,337)
	<u>54,011</u>	<u>(727,337)</u>	<u>327,870</u>	<u>(399,467)</u>
<b>(d) Change in Contract Liabilities Ceded to Reinsurers</b>				
Insurance contracts:				
Life	-	-	(7,196)	(7,196)
General	(61,383)	661,868	-	661,868
	<u>(61,383)</u>	<u>661,868</u>	<u>(7,196)</u>	<u>654,672</u>
<b>Net Benefits Claims</b>	<u>218,947</u>	<u>164,070</u>	<u>1,544,098</u>	<u>1,708,168</u>

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**32. MANAGEMENT EXPENSES**

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
Employee benefits expense (Note 32(a))	79,707	77,598	68,371	145,969
Directors' remuneration (Note 33)	1,079	1,180	-	1,180
Auditors' remuneration:				
- Statutory audit	331	577	130	707
- Limited review	-	184	-	184
- Regulatory related services	19	35	-	35
- Other services	433	22	-	22
Amortisation of intangible assets	5,690	4,684	3,693	8,377
Amortisation of prepaid land lease payments	-	227	181	408
Bank charges	4,866	4,377	3,372	7,749
Depreciation of property, plant and equipment	2,851	3,910	5,931	9,841
Other management fees	4,156	16,260	570	16,830
Professional fees	2,627	2,463	751	3,214
Auto assist services	1,996	1,299	-	1,299
Assured medical fees	-	-	1,919	1,919
Rental of offices/premises	4,733	1,072	708	1,780
Electronic data processing expenses	(1,451)	5,985	3,170	9,155
Maybank shared services - information technology	3,591	4,291	4,367	8,658
Postage and stamp duties	1,149	476	1,885	2,361
Printing and stationery	1,338	868	1,542	2,410
Promotional and marketing cost	15,371	10,488	10,394	20,882
Training expenses	1,221	1,774	1,689	3,463
Utilities, assessment and maintenance	1,776	4,730	4,248	8,978
Entertainment	451	429	286	715
Travelling expenses	1,475	1,417	1,449	2,866
Office facilities expenses	611	108	181	289
Legal fees	351	852	35	887
Other expenses	5,170	12,804	8,301	21,105
<b>Total Management Expenses</b>	<b>139,541</b>	<b>158,110</b>	<b>123,173</b>	<b>281,283</b>
<b>(a) Employee benefits expense:</b>				
Wages and salaries	57,130	57,752	51,245	108,997
EPF	9,806	9,069	7,900	16,969
SOC SO	438	373	330	703
Share-based compensation	31	282	259	541
Other benefits	12,302	10,122	8,637	18,759
	<b>79,707</b>	<b>77,598</b>	<b>68,371</b>	<b>145,969</b>

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**32. MANAGEMENT EXPENSES (CONTD.)**

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

	2018 RM'000	2017 RM'000
Salary	540	480
Bonus	270	231
EPF and pension scheme	137	121
Benefits-in-kind	5	7
Other emoluments	79	77
	<u>1,031</u>	<u>916</u>

**33. DIRECTORS' FEES AND REMUNERATION**

	2018 RM'000	2017 RM'000
<b>(a) Directors of the company</b>		
Executive directors:		
Fees	119	116
Allowance	7	8
	<u>126</u>	<u>124</u>
Non-executive directors:		
Fees	829	882
Allowance	99	87
Other emoluments	25	6
	<u>953</u>	<u>975</u>
<b>(b) Other directors:</b>		
Executive:		
Fees	-	67
Allowance	-	14
	<u>-</u>	<u>81</u>
<b>Total Directors' Fees and Remuneration</b>	<u>1,079</u>	<u>1,180</u>

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**33. DIRECTORS' FEES AND REMUNERATION (CONTD.)**

The total remuneration of the directors of the Company are as follows:

	Allowance RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
<b>2018</b>				
<b>(a) Directors of the Company:</b>				
<b>Executive director</b>				
Puan Nora Abd. Manaf	7	119	-	126
	7	119	-	126
<b>Non-executive directors</b>				
Datuk R Karunakaran	15	174	-	189
Mr. Philippe Pol Arthur Latour	14	119	-	133
Dato' Johan Ariffin	15	119	-	134
Mr. Loh Lee Soon	15	119	5	139
Mr. Frank J.G Van Kempen	15	119	-	134
Mr. Koh Heng Kong	15	119	17	151
Datuk Mohd Najib Abdullah	10	60	3	73
	99	829	25	953
	106	948	25	1,079
<b>2017</b>				
<b>(a) Directors of the Company:</b>				
<b>Executive director</b>				
Puan Nora Abd. Manaf	8	116	-	124
	8	116	-	124
<b>Non-executive directors</b>				
Datuk R Karunakaran	9	158	-	167
Mr. Philippe Pol Arthur Latour	11	141	-	152
Dato' Johan Ariffin	17	145	-	162
Mr. Loh Lee Soon	17	141	2	160
Mr. Frank J.G Van Kempen	14	129	-	143
Mr. Koh Heng Kong	16	129	4	149
Mr. Wong Pakshong Kat Jeong	3	39	-	42
Colin Stewart	3	39	-	42
	87	882	6	975
<b>(b) Other Directors</b>				
<b>Non-executive directors</b>				
Datuk Abdul Farid Alias	3	19	-	22
Dato' Mohamed Rafique Merican	3	25	-	28
Encik Zainal Abidin Jamal	7	14	-	21
Dato' Amirul Feisal Wan Zahir	1	9	-	10
	14	67	-	81
	109	1,065	6	1,180

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**34. FEE AND COMMISSION EXPENSES**

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	
Costs incurred for the acquisition of insurance contracts expensed	85,956	80,188	104,490	184,678

**35. INCOME TAX EXPENSE**

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 31 December 2017 are as follows:

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
			(Note 16)	

Income Statement

Income tax:

Current financial year				
- Malaysia	25,338	86,243	26,353	112,596
(Over)/under provision of taxation in prior financial years	(32,982)	585	-	585

Deferred taxation:

Relating to origination and reversal of temporary differences (Note 21)	3,090	(16,847)	22,293	5,446
Income tax (recovery)/expense recognised in income statement	(4,554)	69,981	48,646	118,627

Statement of Comprehensive Income

Deferred income tax related to other comprehensive income:

- Fair value changes on FVOCI/ AFS Investments (Note 21)	1,577	(3,783)	(5,548)	(9,331)
- Fair value changes on Investment Properties (Note 21)	23,875	-	-	-
	25,452	(3,783)	(5,548)	(9,331)

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**35. INCOME TAX EXPENSE (CONTD.)**

**Reconciliation between tax expense and accounting profit**

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

	2018	<----- 2017 ----->		
	RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
Profit before taxation	121,074	247,269	237,534	484,803
Taxation at Malaysian statutory tax rate of 24%	29,058	59,344	57,008	116,352
Tax relief on actuarial surplus transferred to shareholder's fund	-	-	(13,176)	(13,176)
Tax on non-recyclable income	(916)	2,630	-	2,630
Income not subject to tax	(3,557)	(2,351)	-	(2,351)
Expenses not deductible for tax purpose	3,843	9,773	4,814	14,587
(Over)/Under provision of taxation in prior financial year	(32,982)	585	-	585
Tax (recovery)/expense for the financial year	(4,554)	69,981	48,646	118,627

Domestic income tax for shareholder's fund and general fund are calculated on the estimated assessable profit for the financial year at Malaysian statutory tax rate of 24% (2017: 24%).

**Taxation borne by policyholders**

	<----- 2017 ----->		
	Continuing operations RM'000	Discontinued operations RM'000 (Note 16)	Total RM'000
<u>Income tax:</u>			
Current financial year	-	49,796	49,796
Over provision of taxation in prior financial years	-	(194)	(194)
<u>Deferred taxation:</u>			
Relating to origination and reversal of temporary differences (Note 21)	-	(1,862)	(1,862)
	-	47,740	47,740

The income tax borne by policyholders are calculated based on the statutory rate of 8% of the estimated assessable investment income net of allowable deductions for the financial year.

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**36. EARNINGS PER SHARE**

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

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Profit attributable to ordinary equity holders		
- Continuing operations	125,628	177,288
- Discontinued operations	-	188,888
	<u>125,628</u>	<u>366,176</u>
	<b>2018</b> <b>'000</b>	<b>2017</b> <b>'000</b>
Number of ordinary shares in issue		
At 1 January	152,151	152,151
Issued during the year	60,000	-
At 31 December	<u>212,151</u>	<u>152,151</u>
	<b>2018</b> <b>sen</b>	<b>2017</b> <b>sen</b>
Basic and diluted earnings per share:		
- Continuing operations	69.00	116.52
- Discontinued operations	-	124.15
	<u>69.00</u>	<u>240.67</u>

**37. DIVIDENDS**

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
<b>Recognised during the financial year:</b>		
Dividend on ordinary shares:		
- Final dividend for the year ended 31 December 2016:		
Single-tier dividend of 111.7 sen per share	-	169,999
- Interim dividend for the year ended 31 December 2017:		
Single-tier dividend of 381.2 sen per share	-	580,001
	<u>-</u>	<u>750,000</u>

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**38. OPERATING LEASE COMMITMENTS**

**(a) Company as lessee**

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

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

	2018 RM'000	2017 RM'000
Within 1 year		
- Continuing operations	4,633	830
- Discontinued operations	-	353
After 1 year but not more than 5 years		
- Continuing operations	16,875	1,592
- Discontinued operations	-	1,398
	21,508	4,173

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

**(b) Company as lessor**

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

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

	2018 RM'000	2017 RM'000
Not later than 1 year		
- Continuing operations	10,442	6,490
- Discontinued operations	-	26,060
After 1 year but not more than 5 years		
- Continuing operations	40,324	23,442
- Discontinued operations	-	40,296
	50,766	96,288

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**38. OPERATING LEASE COMMITMENTS (CONTD.)**

**(b) Company as lessor (Contd.)**

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

**39. OTHER COMMITMENTS AND CONTINGENCIES**

	2018	<-----2017----->		
		Continuing	Discontinued	Total
	RM'000	operations	operations	RM'000
		RM'000	RM'000	
Approved and contracted for:				
Investment properties	-	-	106,062	106,062
Property, plant and equipment	79	192	2,985	3,177
Intangible assets	603	3,472	-	3,742
	<u>682</u>	<u>3,664</u>	<u>109,047</u>	<u>112,981</u>
Approved but not contracted for:				
Investment properties	-	-	11,519	11,519
Intangible assets	112	4,546	-	4,546
	<u>112</u>	<u>4,546</u>	<u>11,519</u>	<u>16,065</u>

**40. SHARE BASED COMPENSATION**

**ESS**

The Maybank Group ESS is governed by the by-laws approved by the shareholders of MBB at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and it is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of the ESOS and the RSU. The ESS was expired on 23 June 2018.

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

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

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

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

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**40. SHARE BASED COMPENSATION (CONTD.)**

**ESS (Contd.)**

- (ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of MBB in a general meeting.
- (iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, MBB may terminate the ESS at any time during the duration of the scheme subject to:

- Consent of MBB's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and
- Written consent of all participants of ESS who have yet to exercise their ESS option, either in part or in whole, and all participants whose RSU Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

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

- **ESOS**

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

- **RSU**

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

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**40. SHARE BASED COMPENSATION (CONTD.)**

**ESS (Contd.)**

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

- Number of ESOS granted, vested and awarded are as follows:

Grant date	Number of Grant	Number of share options ('000)						
		Original Grant	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche	Sixth Tranche
23.6.2011	ESOS First Grant*	405,309 #	80,871	42,136	78,885	74,254	69,860	34,955
30.4.2012	ESOS Second Grant**	62,339 #	6,187	12,874	12,002	10,809	9,425	4,687
30.4.2013	ESOS Third Grant	53,594 #	9,200	10,523	9,198	7,861	7,382	-
30.4.2014	ESOS Fourth Grant	54,028 #	9,752	10,592	9,019	8,531	8,177	-
30.4.2015	ESOS Fifth Grant	48,170 #	11,439	11,260	10,475	9,746	-	-
30.9.2015	ESOS Special Grant	992 #	309	216	108	-	-	-

#The number of share options granted are based on the assumptions that the eligible employees met average performance targets.

\*The ESOS quantum allotted under the sixth tranche of ESOS First Grant is prorated based on six months

\*\*The ESOS quantum allotted under the first and fifth tranche of ESOS Second Grant is prorated based on six months period. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December.

- The new ordinary shares in MBB allotted upon any exercise of options under the scheme will upon allotment, rank *pari passu* in all aspects with the then existing ordinary shares in MBB, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of MBB relating to transfer, transmission and otherwise.
- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.
- In the implementation of ESS, MBB has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from MBB.

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**40. SHARE BASED COMPENSATION (CONTD.)**

**ESS (Contd.)**

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

- The RSU granted will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period;
- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants;
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date; and
- The ESS Committee may, from time to time during the ESS period, make further RSU grants designated as Supplemental RSU Grant ("SRSU Grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU Grant may contain terms and conditions which may vary from earlier RSU Grant made to selected senior management. The SRSU Grant will be vested on a two (2) to three (3) years cliff vesting schedule.

**ESGP and CESGP**

MBB Group has implemented a new employee's share scheme named as the Maybank Group ESGP and the scheme was awarded to the participating companies within the Maybank Group who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders of MBB at an Extraordinary General Meeting held on 6 April 2017. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

The ESGP consists of two (2) types of performance-based awards, i.e. ESGP Shares and CESGP. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

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**40. SHARE BASED COMPENSATION (CONTD.)**

**ESGP and CESGP (Contd.)**

The ESGP Shares is a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

Other principal features of the ESGP are as follows:

- (i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and has not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.
- (ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of the Bank in a general meeting.
- (iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, MBB may terminate the ESGP at any time during the duration of the scheme subject to consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

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**41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES**

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

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

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
<b>Income/(expenses):</b>				
Ultimate holding company:				
Gross premium income	28,320	25,938	-	25,938
Commissions and fees expenses	(25,212)	(24,581)	(76,212)	(100,793)
Claims paid	(3,125)	(130,621)	-	(130,621)
Interest income	3,352	3,331	12,302	15,633
Rental income	527	445	2,647	3,092
Other income	-	-	335	335
Other expenses	(275)	(1,048)	(2,842)	(3,890)
Immediate holding company:				
Gross premium income	16	4	-	4
Rental income	82	19	75	94
Claims paid	(15)	(54)	-	(54)
Shared service cost	(9,447)	(9,480)	1,231	(8,249)
Interim dividend	-	(580,001)	-	(580,001)
Final dividend	-	(169,999)	-	(169,999)

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

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

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
Fellow subsidiaries within the MAHB group:				
Gross premium income	27,636	22,133	-	22,133
Premium ceded to reinsurers	(23,626)	(22,328)	-	(22,328)
Commissions and fee expenses	(9,949)	(7,746)	-	(7,746)
Reinsurance commission income	8,322	9,266	-	9,266
Claims paid	(2,889)	(6,657)	-	(6,657)
Claims recovery from reinsurers	2,461	1,987	-	1,987
Other income	544	867	-	867
Other expenses	(14)	(209)	-	(209)
Rental income	7,841	5,210	3,110	8,320
Rental expense	(2,093)	-	-	-
Shared service (expenses)/income	(14,305)	(42,229)	100,402	58,173
Reimbursement of advisory fee	-	45	330	375
Reinsurance portfolio administration fee	(65)	-	-	-
Other related companies within the MBB group:				
Gross premium income	1,350	199	-	199
Dividend income	-	-	1,738	1,738
Interest income	1,310	2,420	6,661	9,081
Rental income	18	266	4,249	4,515
Claims paid	(98)	-	-	-
Other investment income	-	-	27	27
Maybank shared service - information technology expenses	(3,591)	(4,291)	(4,367)	(8,658)
Investment advisory fee	-	(91)	(659)	(750)
Companies with significant influence over the MBB Group:				
Gross insurance premium income	1,318	48	1,535	1,583
Claims paid	-	(8)	(1,093)	(1,101)
Interest on subordinated obligation	(5,582)	(10,944)	-	(10,944)
Shareholder of holding company:				
Remuneration of a seconded employee	-	(1,279)	-	(1,279)
Professional fee	-	183	-	183

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

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

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
Fixed and call deposits	104,112	229,611	259,275	488,886
Corporate bonds	-	-	9,999	9,999
Derivatives	81	605	(23,844)	(23,239)
Bank balances	35,304	32,765	135,506	168,271
Income due and accrued	681	693	176	869
Outstanding premiums	8,875	8,806	-	8,806
Claim liabilities	(57,683)	(58,445)	-	(58,445)
Amount due from ultimate holding company (Note 14)	203	849	15	864
Other receivables	-	-	909	909
Immediate holding company:				
Outstanding premiums	20	1	-	1
Amount due to holding company	(1,564)	(770)	(196)	(966)
Fellow subsidiaries within the MAHB group:				
Amount due from/(to) reinsurers and cedants	11,646	(487)	-	(487)
Claims liabilities	(4,959)	(4,959)	-	(4,959)
Reinsurance assets	700	-	-	-
Amount due from other related companies (Note 14)	3,880	(7,819)	-	(7,819)
Amount due to other related companies (Note 23)	(7,208)	(92)	-	(92)
Other related companies within the MBB Group:				
Fixed and call deposits	33,527	40,003	191,359	231,362
Outstanding premiums	-	42	-	42
Income and profits due and accrued	190	373	940	1,313
Claims liabilities	(50)	(50)	-	(50)
Amount due from other related companies (Note 14)	83	23	13,518	13,541
Amount due to other related companies (Note 23)	(83)	-	(2)	(2)
Other payables	(18)	-	-	-

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

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

	2018	<----- 2017 ----->		
		Continuing operations	Discontinued operations	Total
	RM'000	RM'000	RM'000	RM'000
Companies with significant influence over the MBB Group:				
Outstanding premiums	-	-	-	-
Claims liabilities	(903)	(2,026)	-	(2,026)
Amount due to reinsurers and cedants	-	(94)	-	(94)
Subordinated obligation	-	(270,363)	-	(270,363)
Subsidiary:				
Amount due to subsidiary (Note 23)	(1,632)	-	(1,637)	(1,637)

(c) Key management personnel compensation

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

	2018	2017
	RM'000	RM'000
<b>Short-term employee benefits</b>		
- Salaries, allowances and bonuses	916	820
- Fees	948	1,065
- EPF and pension scheme	137	121
- Other emoluments and benefits-in-kind	109	90
	<u>2,110</u>	<u>2,096</u>

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

	2018	2017
	'000	'000
At 1 January	141	170
Vested and exercisable	-	30
Exercised	-	(59)
Resignation of key management personnel	(141)	-
At 31 December	<u>-</u>	<u>141</u>

- (iii) The number of shares awarded for ESGP Shares to key management personnel are as follows:

	2018
	'000
Award date	
14.12.2018 - First Grant	<u>104</u>

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

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## **42. INTEGRATED RISK MANAGEMENT FRAMEWORK**

The Integrated Risk Management Framework encapsulates the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad (ELIB), Etiqa General Takaful Bhd (EGTB) and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the Group".

Six (6) key building blocks have been set which serve as the foundation for risk management and executed in accordance with the standards and risk appetite set by the Board.



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

### **Principles**

The approach to risk management is premised on the following seven (7) broad principles:

- Establish risk appetite and strategy
- Assign adequate capital
- Ensure governance and oversight function
- Promote strong risk culture
- Establish adequate risk framework and policies
- Establish risk management practices and processes
- Ensure sufficient resources and system infrastructures

### **Risk Appetite and Strategy**

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

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**42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Risk Appetite and Strategy (Contd.)**

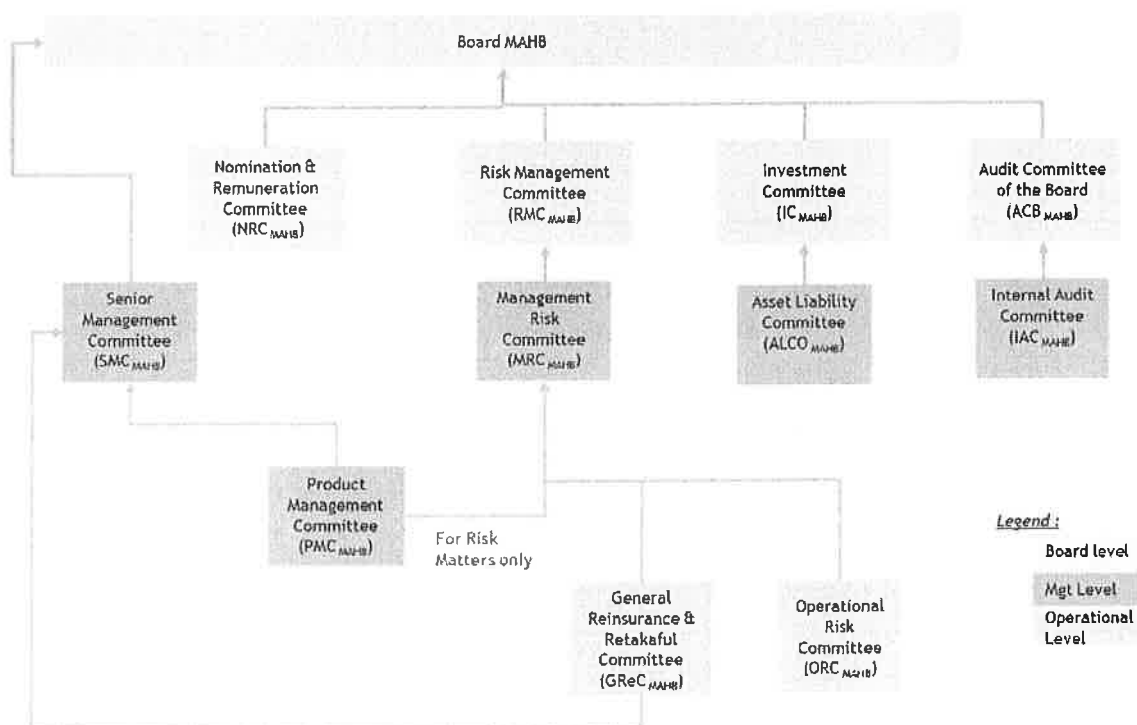
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising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

**Governance and Oversight**

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

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

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



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**42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**Governance and Oversight (Contd.)**

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

**Board**

The MAHB Board, together with the EGIB, EFTB and EIPL Boards, have the final responsibility for all business activities, including risk management. The Board is the ultimate decision-making body of the Group. The Boards have delegated specific matters to sub-Board Committee, such as Shariah matters to Shariah Committee, risk matters to the Risk Management Committee, audit matters to the Audit Committee and investment matters to the Investment Committee.

The following management level committees are established to support the Board in terms of risk governance on the business activities:

**SMC**

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

**BGM**

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

**PDC**

The PDC's prime objective is to coordinate and manage the whole process of product development and product management for the specific product lines derived from the overall marketing plan of the Group.

**ALCO**

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

**IAC**

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

**PMC**

The PMC's prime objective is to oversee, coordinate and manage the whole process of product development and product management for specific product lines. PMC monitor the implementation, and post implementation performance of the Insurance & Takaful Products.

The following Operational Level Committees are established to support the Management level committees in the discharge of their duties.

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**42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)**

**ORC**

ORC serves as the advisor to MRC concerning group wide operational risk related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

**GReC**

GReC acts as the risk governance body in relation to the reinsurance management of the General Insurance & Takaful policies. The scope of the GReC covers General Reinsurance, Inwards and Outwards Reinsurance for the Insurance & Takaful Group.

**Risk Culture**

Risk culture is a vital component in strengthening the Group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The risk culture can be strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

In line with the evolving market environment and dynamics within the Company and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

**Risk Management Practices and Processes**

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

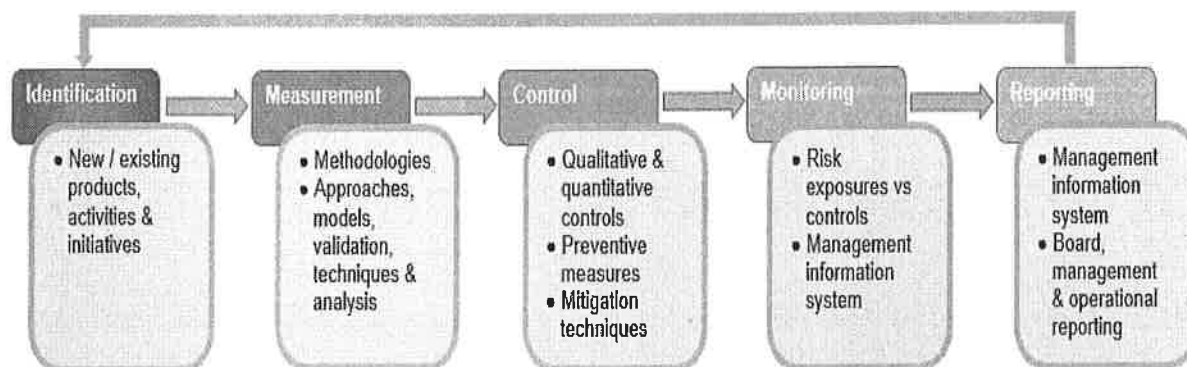
To enable an effective execution of risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Company.

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## 42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

### Risk Management Practices and Processes (Contd.)

The five (5) main stages of the risk management process which form a continuous cycle as follows:



### Resource and System Infrastructure

Appropriate system infrastructure and resources are the foundation and enabler to an effective risk management practices and processes. As a result, the Company should equip itself with necessary resources, infrastructure and support to perform its roles efficiently.

### Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

The personnel within risk management should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the Group's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities.

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## 42. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

### System Infrastructure

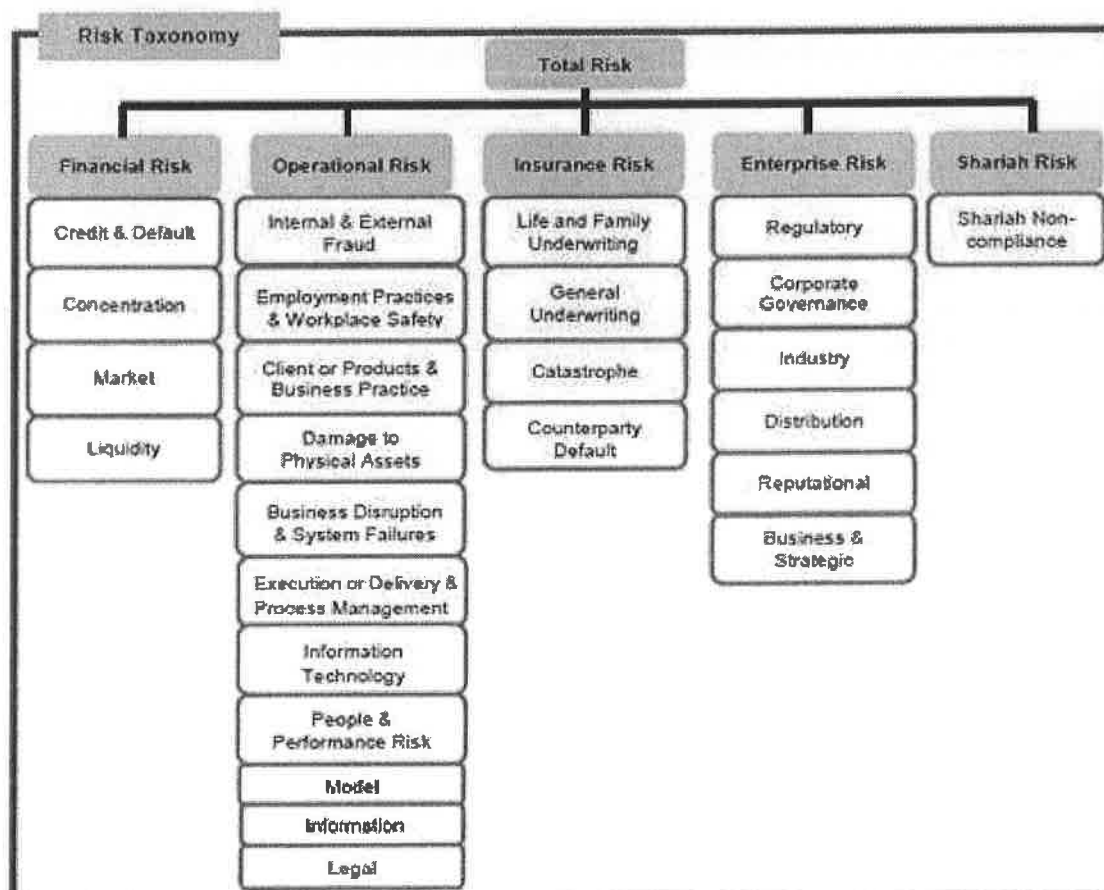
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities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

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

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

### Risk Taxonomy

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



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**43. INSURANCE RISK**

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

Reinsurance offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honor their obligations. The Company monitors the ability of all current and prospective reinsurers to meet their obligations under exceptional but plausible adverse events on a monthly basis.

The Company has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

**(i) General Insurance Underwriting Risk**

General Insurance ("GI") Underwriting Risk reflects the adverse changes in the level, trend or volatility/fluctuation of claims settlement experience in terms of timing, frequency and severity of insured events that is different from the expectation/best estimate assumptions, either from pricing or reserving, therefore affecting the profitability of GI portfolio.

**(ii) Life Insurance Underwriting Risk**

The Life Insurance ("LI") Underwriting Risk reflects the adverse changes in the level, trend, or volatility of mortality, longevity, disability/morbidity, lapse/persistence and expense experience that is different from the expectation/best estimate assumptions, either in pricing or reserving, therefore affecting the profitability of life insurance/family takaful portfolio.

**(iii) Catastrophe Risk**

Catastrophe Risk is the risk of loss or adverse changes in the value of insurance liabilities due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood and etc.), which can cause an accumulated loss or single large loss. Catastrophe risks could arise from either Life business as well as General Insurance business.

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**43. INSURANCE RISK (CONTD.)**

**(iv) Counterparty Default Risk**

The counterparty default risk reflects possible losses due to unexpected default of counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk (in Financial Risk Taxonomy).

**General Insurance**

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

	<----- 2018 ----->			<----- 2017 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>Malaysia</b>						
Motor	223,638	(7,131)	216,507	193,545	(7,535)	186,010
Fire	217,961	(135,567)	82,394	179,290	(101,567)	77,723
Marine, Aviation, Cargo and Transit	544,032	(529,072)	14,960	516,225	(499,540)	16,685
Miscellaneous	201,809	(85,038)	116,771	193,810	(79,503)	114,307
	<b>1,187,440</b>	<b>(756,808)</b>	<b>430,632</b>	<b>1,082,870</b>	<b>(688,145)</b>	<b>394,725</b>

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**43. INSURANCE RISK (CONTD.)**

**General Insurance (Contd.)**

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

	<----- 2018 ----->		<----- 2017 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Continuing operations Gross Reinsurance RM'000 RM'000	
<u>Brunei</u>					
Motor	-	(317)	(317)	-	1
Fire	-	2	2	-	13
Miscellaneous	-	-	-	310	(168)
	-	(315)	(315)	310	(154)
					156
<u>Singapore</u>					
Fire	27,637	-	27,637	22,133	-
Total	1,215,077	(757,123)	457,954	1,105,313	(688,299)
					417,014

(ii) **Key Assumptions and Methods**

The estimation of claims liabilities based on Bank Negara Malaysia's Risk-Based Capital Framework for Insurers requires all general insurance businesses to calculate claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

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**43. INSURANCE RISK (CONTD.)**

**General Insurance (Contd.)**

**(ii) Key Assumptions and Methods (Contd.)**

The assumptions used in the projection methodologies, including future rates of claims inflation, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect any one-off occurrences, changes in external or market factors such as the public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process explicitly by adding in a provision of risk margin for adverse deviation ("PRAD") for the best estimate of the cost of future claim payments.

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

**Unallocated loss adjustment expense**

**2018                      2017**

Malaysia - Unallocated loss adjustment expense ratio

**5%                      5%**

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**43. INSURANCE RISK (CONTD.)**

**General Insurance (Contd.)**

**(iii) Sensitivity Analysis**

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

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

**General Insurance**

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
		<----- Increase/(decrease) ----->			
<b>2018</b>					
Net Incurred Claims Ratio	+ 5%	57,420	21,274	(21,274)	(16,168)
	- 5%	(57,420)	(21,274)	21,274	16,168
<b>2017</b>					
Net Incurred Claims Ratio	+ 5%	56,007	20,710	(20,710)	(15,740)
	- 5%	(56,007)	(20,710)	20,710	15,740

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

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**43. INSURANCE RISK (CONTD.)**

**General Insurance (Contd.)**

**(iv) Claims development table**

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

**Life Insurance - discontinued operations**

**(i) The table below discloses the concentration of actuarial liabilities by type of contract.**

	<----- 2017 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000
Whole life	779,367	-	779,367
Endowment	3,390,775	-	3,390,775
Mortgage	836,819	(29,570)	807,249
Term assurance	311,976	-	311,976
Annuity	690,140	-	690,140
Others	137,877	-	137,877
<b>Total</b>	<b>6,146,954</b>	<b>(29,570)</b>	<b>6,117,384</b>

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

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**43. INSURANCE RISK (CONTD.)**

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

**(ii) Key Assumptions**

Material judgement is required in determining the insurance liabilities. Assumptions used in determining the insurance liabilities are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a periodic basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

**(a) Discount rate**

The discount rate used for non-participating policies, guaranteed benefit liabilities of participating policies and the non-unit liability of investment-linked policies is the yield observed on MGS of the appropriate duration.

In the case of the total (guaranteed and non-guaranteed) of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the participating fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes and long term strategic assets allocation. Participating business includes participating annuity. The discount rate for participating annuity business is the gross rate as these funds are tax exempt.

**(b) Mortality and morbidity rates**

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

The Company bases mortality and morbidity on local established industry tables which reflect historical experiences and reinsurance premium rates adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experience.

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**43. INSURANCE RISK (CONTD.)**

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

**(ii) Key Assumptions (Contd.)**

**(c) Lapse and surrender rates**

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

**(d) Expenses**

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

**(iii) Sensitivity Analysis**

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

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

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**43. INSURANCE RISK (CONTD.)**

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

**(iii) Sensitivity Analysis (Contd.)**

2017	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit Before Tax RM'000	Impact on Equity RM'000
		<----- Increase ----->		<----- Decrease ----->	
Discount rate*	-1%	512,903	510,755	(195,041)	(172,777)
Mortality and morbidity rates	+/- 10% (adverse)	131,600	125,718	(98,898)	(75,162)
Lapse and surrender rates	+/- 10% (adverse)	25,354	25,462	(641)	(487)
Expenses	+10%	35,701	35,701	(27,093)	(20,591)

\* Excludes impact on fixed income assets.

\*\* The impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

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**43. INSURANCE RISK (CONTD.)**

**General Insurance**

**(iv) Claims development table**

**Analysis of claims development - Gross Insurance Contract Liabilities**

Accident year	Before	As at 31 December						Total	
	2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	RM'000
Estimate of gross cumulative claims:									
At the end of accident year		640,233	687,574	3,368,421	472,373	500,223	650,926	623,423	
1 year later		670,334	507,493	3,324,465	644,826	427,229	653,549		
2 years later		655,020	600,092	3,870,607	677,394	408,481			
3 years later		681,399	552,955	3,318,450	655,504				
4 years later		654,031	559,641	3,297,763					
5 years later		656,948	555,274						
6 years later		648,754							
Estimate of gross cumulative claims (A)		648,754	555,274	3,297,763	655,504	408,481	653,549	623,423	
Estimate of gross cumulative payments to date:									
At the end of accident year		229,494	167,692	1,120,319	117,553	115,349	228,448	114,737	
1 year later		359,755	307,101	1,383,292	382,244	249,580	417,498		
2 years later		472,739	408,804	1,774,084	441,823	315,396			
3 years later		531,619	483,555	1,923,898	482,763				
4 years later		554,919	494,548	2,003,707					
5 years later		598,787	509,307						
6 years later		600,238							
Gross cumulative payments (B)		600,238	509,307	2,003,707	482,763	315,396	417,498	114,737	
Gross outstanding claim liabilities (A) - (B)	101,540	48,516	45,967	1,294,056	172,741	93,085	236,051	508,686	2,500,642
Gross outstanding claim liabilities for Brunei and Treaty Inward									
ULAE									60,969
Best estimate of gross claim liabilities									5,850
PRAD									2,567,461
Gross Insurance Claim Liabilities as at 31 December 2018									196,986
									2,764,447

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**43. INSURANCE RISK (CONTD.)**

**General Insurance**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Net of Reinsurance**

	Before	As at 31 December							Total
	2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	RM'000
Accident year									
Estimate of net cumulative claims:									
At the end of accident year									
1 year later		271,700	283,985	263,503	255,864	248,567	206,014	216,540	
2 years later		258,324	265,906	251,303	249,573	227,268	201,881		
3 years later		260,331	274,429	246,969	244,085	227,688			
4 years later		264,442	273,160	238,975	244,196				
5 years later		261,799	270,774	240,031					
6 years later		260,463	269,263						
		256,169							
Estimate of net cumulative claims (A)		256,169	269,263	240,031	244,196	227,688	201,881	216,540	
Estimate of net cumulative payments to date:									
At the end of accident year									
1 year later		113,841	131,720	113,052	105,240	109,745	95,787	105,268	
2 years later		211,743	224,674	195,128	197,502	183,464	161,937		
3 years later		239,069	244,820	215,245	220,400	207,112			
4 years later		247,803	255,638	225,251	229,927				
5 years later		251,671	259,964	231,551					
6 years later		252,483	261,876						
		253,119							
Net cumulative payments (B)		253,119	261,876	231,551	229,927	207,112	161,937	105,268	
Net outstanding claim liabilities (A) - (B)	2,969	3,050	7,387	8,480	14,269	20,576	39,944	111,272	207,947
Net outstanding claim liabilities for Brunei and Treaty Inward									
ULAE									60,145
Best estimate of net claim liabilities									5,850
PRAD									273,942
Net Insurance Claim Liabilities as at 31 December 2018									41,830
									315,772

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**43. INSURANCE RISK (CONTD.)**

**General Insurance**

**(iv) Claims development table (Contd.)**

**Analysis of claims development - Gross Insurance Contract Liabilities**

Accident year	As at 31 December										Total RM'000
	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000			
Estimate of gross cumulative claims:											
At the end of accident year											
1 year later		387,941	640,233	687,574	3,368,421	472,373	500,223	650,926			
2 years later		533,071	670,334	507,493	3,324,465	644,826	427,229				
3 years later		386,610	655,020	600,092	3,870,607	677,394					
4 years later		396,983	681,399	552,955	3,318,451						
5 years later		398,866	654,031	559,641							
6 years later		371,960	656,948								
		369,778									
Estimate of gross cumulative claims (A)		369,778	656,948	559,641	3,318,451	677,394	427,229	650,926			
Estimate of gross cumulative payments to date:											
At the end of accident year											
1 year later		121,264	229,494	167,692	1,120,319	117,553	115,349	228,447			
2 years later		247,258	359,755	307,101	1,383,292	382,244	249,580				
3 years later		283,406	472,739	408,804	1,774,084	441,823					
4 years later		306,870	531,619	483,555	1,923,898						
5 years later		350,548	554,919	494,548							
6 years later		350,223	598,787								
		351,651									
Gross cumulative payments (B)		351,651	598,787	494,548	1,923,898	441,823	249,580	228,447			
Gross outstanding claim liabilities (A) - (B)	94,514	18,127	58,161	65,093	1,394,553	235,571	177,649	422,479	2,466,147		
Gross outstanding claim liabilities for Brunei and Treaty Inward											
ULAE									61,186		
Best estimate of gross claim liabilities									4,795		
PRAD									2,532,128		
Gross Insurance Claim Liabilities as at 31 December 2017									178,308		
									2,710,436		

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**43. INSURANCE RISK (CONTD.)**

General Insurance

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

	Before 2011	As at 31 December						Total RM'000
	RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
<b>Accident year</b>								
Estimate of net cumulative claims:								
At the end of accident year								
1 year later		237,994	271,700	283,985	263,503	255,864	248,567	206,015
2 years later		239,453	258,324	265,906	251,303	249,573	227,268	
3 years later		234,554	260,331	274,429	246,969	244,085		
4 years later		238,818	264,442	273,160	238,975			
5 years later		239,469	261,799	270,775				
6 years later		238,372	260,463					
		236,211						
Estimate of net cumulative claims (A)		236,211	260,463	270,775	238,975	244,085	227,268	206,015
Estimate of net cumulative payments to date:								
At the end of accident year								
1 year later		104,838	113,841	131,720	113,052	105,240	109,745	95,787
2 years later		197,855	211,743	224,674	195,128	197,502	183,464	
3 years later		220,615	239,069	244,820	215,245	220,400		
4 years later		229,267	247,803	255,638	225,251			
5 years later		231,826	251,671	259,964				
6 years later		232,884	252,483					
		233,369						
Net cumulative payments (B)		233,369	252,483	259,964	225,251	220,400	183,464	95,787
Net outstanding claim liabilities (A) - (B)	4,949	2,842	7,980	10,811	13,724	23,685	43,804	110,228
								218,023
Net outstanding claim liabilities for Brunei and Treaty Inward								
ULAE								60,177
Best estimate of net claim liabilities								4,795
PRAD								282,995
Net Insurance Claim Liabilities as at 31 December 2017								40,149
								323,144

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**44. FINANCIAL RISKS**

**(i) Credit Risk**

Credit risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, underwriting, trading and investment activities from both on-balance sheet transactions and off-balance sheet transactions, if any.

Credit or spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of assets of these instruments. Changes in the level or in the volatility of both spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit risk arises when a borrower or counterparty is no longer able to pay their debt. The Company's exposure to credit risk arises mainly from fixed income investment activities.

The Company measures and manages credit risk following the philosophy and principles below:

- (a) The Risk Management and Investment Management Department, actively aim to prevent undue concentration by ensuring its credit portfolio is diversified and marketable credit portfolio;
- (b) The asset management research team adopts a prudent position in the selection of fixed income investments;
- (c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and
- (d) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management on impending problems in a timely manner.

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure**

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements. MFRS 9 *Financial Instruments* removed the bifurcation of embedded derivatives concept for financial assets and hybrid financial assets which would be classified and measured in their entirety at FVTPL for the purposes of financial risk exposures and management.

	2018	<----- 2017 ----->		<----- Discontinued operations ----->		
		Continuing Operations				
	General and Shareholder's Fund	General and Shareholder's Fund	Life Fund	Unit-Linked	Sub-total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets at FVTPL</b>						
(i) <b>Designated upon initial recognition</b>						
Malaysian government papers	-	-	240,275	-	240,275	240,275
Debt securities, structured products and NCDs	12,704	-	6,477,472	-	6,477,472	6,477,472
(ii) <b>HFT</b>						
Malaysian government papers	-	-	-	88,059	88,059	88,059
Debt securities, structured products and NCDs	-	-	-	244,689	244,689	244,689
Unit and property trust funds	-	-	-	53,031	53,031	53,031

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit Exposure**

	2018	<----- 2017 ----->				
		Continuing Operations	<----- Discontinued operations ----->			
	General and Shareholder's Fund RM'000	General and Shareholder's Fund RM'000	Life Fund RM'000	Unit-Linked RM'000	Sub-total RM'000	Total RM'000
<b>Financial assets at FVOCI</b>						
Malaysian government papers	108,379	-	-	-	-	-
Debt securities, structured products and NCDs	614,087	-	-	-	-	-
<b>Financial assets at AC</b>						
Fixed and call deposits	245,774	-	-	-	-	-
<b>Financial assets at AFS</b>						
Malaysian government papers	-	92,715	-	-	-	92,715
Debt securities, structured products and NCDs	-	539,511	-	-	-	539,511
Unit and property trust funds	-	259	58,077	-	58,077	58,336
<b>LAR</b>						
Fixed and call deposits	-	374,652	532,625	78,169	610,794	985,446
Financing receivables	28,703	30,672	208,797	-	208,797	239,469
Reinsurance assets	2,703,348	2,608,475	32,963	-	32,963	2,641,438
Insurance receivables	346,730	384,811	20,669	-	20,669	405,480
Other receivables	90,856	245,927	230,579	5,853	236,432	482,359
Derivative assets	82	606	2,230	-	2,230	2,836
Cash and bank balances	64,652	33,606	139,522	2,677	142,199	175,805
	<b>4,215,315</b>	<b>4,311,234</b>	<b>7,943,209</b>	<b>472,478</b>	<b>8,415,687</b>	<b>12,726,921</b>

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit quality of financial assets**

The four (4) risks categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Company's financial investments. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

<b>Risk Category</b>	<b>Probability of default ("PD") grade</b>	<b>External credit ratings based on S&amp;P's ratings</b>	<b>External credit ratings based on RAM's ratings</b>
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	BBB+ to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk category is as described below:

**Very low** : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

**Low** : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.

**Medium** : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

**High** : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

**Impaired/default** : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(viii)(b).

**Unrated** : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of rating models.

**Sovereign** : Refer to obligors which are governments and/or government-related

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit exposure by rating**

The implementation of MFRS 9 Financial Instruments has resulted in a change in the presentation and disclosure of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the risk categories upon implementation of MFRS 9 Financial Instruments:

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
<b>2018</b>							
<b>Financial assets at FVTPL</b>							
(i) <b>Designated upon initial recognition</b>							
Debt securities, structured products and NCDs	-	7,676	5,028	-	-	-	12,704
<b>Financial assets at FVOCI</b>							
Malaysian government papers	108,379	-	-	-	-	-	108,379
Debt securities, structured products and NCDs	117,991	204,088	256,475	35,533	-	-	614,087
<b>Financial assets at AC</b>							
Fixed and call deposits	-	177,957	67,817	-	-	-	245,774
Financing receivables	-	-	-	-	-	28,703	28,703
Reinsurance assets*	-	339,910	1	652,327	20	1,453,775	2,446,033
Insurance receivables <sup>^^</sup>	-	537	-	237	-	345,956	346,730
Other receivables	694	4,879	4,408	357	-	80,518	90,856
Derivative assets	-	82	-	-	-	-	82
Cash and bank balances	-	64,509	-	-	-	143	64,652
	<b>227,064</b>	<b>799,638</b>	<b>333,729</b>	<b>688,454</b>	<b>20</b>	<b>1,909,095</b>	<b>3,958,000</b>

\* Excluding premium liabilities.

<sup>^^</sup> Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "unrated" category.

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**44. FINANCIAL RISKS (CONTD.)**

(i) Credit Risk (Contd.)

**Credit exposure by rating (Contd.)**

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

	Neither past-due nor impaired					Not subject to credit risk	Total
	^A to AAA	^B to BBB	^Not Rated	Unit-linked	Past-due but not impaired		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>							
<b>Continuing operations</b>							
<b>Financial assets at AFS</b>							
Malaysian government papers	-	-	92,715	-	-	-	92,715
Debt securities, structured products and NCDs	465,059	-	74,452	-	-	-	539,511
Unit and property trust funds	-	-	-	-	-	259	259
<b>LAR</b>							
Fixed and call deposits	374,652	-	-	-	-	-	374,652
Financing receivables	-	-	30,672	-	-	-	30,672
Reinsurance assets	1,466,465	57,853	861,050	-	-	223,107	2,608,475
Insurance receivables <sup>^</sup>	839	-	358,278	-	25,694	-	384,811
Other receivables	10,300	1	179,743	-	-	55,883	245,927
Derivative assets	606	-	-	-	-	-	606
Cash and bank balances	33,479	-	127	-	-	-	33,606
	<b>2,351,400</b>	<b>57,854</b>	<b>1,597,037</b>	<b>-</b>	<b>25,694</b>	<b>279,249</b>	<b>4,311,234</b>

<sup>^</sup> Based on ratings assigned by external rating agencies including RAM and MARC.

<sup>^^</sup> Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "unrated" category.

Financial investments such as Malaysian Government Papers and certain corporate debt securities are classified under the "unrated" category as these investments are issued by the government or guaranteed by the government and which are exempted from the requirement to be rated by rating agencies.

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Credit exposure by rating (Contd.)**

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

	Neither past-due nor impaired					Past-due but not impaired RM'000	Not subject to credit risk RM'000	Total RM'000
	^A to AAA RM'000	^B to BBB RM'000	^Not Rated RM'000	Unit-linked RM'000				
<b>2017</b>								
<b>Discontinued Operations</b>								
<b>Financial assets at FVTPL</b>								
(i) Designated upon initial recognition								
Malaysian government papers	-	-	240,275	-	-	-	-	240,275
Debt securities, structured products and NCDs	4,571,632	-	1,905,840	-	-	-	-	6,477,472
(ii) HFT								
Malaysian government papers	-	-	-	88,059	-	-	-	88,059
Debt securities, structured products and NCDs	-	-	-	244,689	-	-	-	244,689
Unit and property trust funds	-	-	-	53,031	-	-	-	53,031
<b>Financial assets at AFS</b>								
Equity securities	-	-	-	-	-	-	876,576	876,576
Unit and property trust funds	-	-	-	-	-	-	58,077	58,077
<b>LAR</b>								
Fixed and call deposits	532,625	-	-	78,169	-	-	-	610,794
Financing receivables	-	-	208,797	-	-	-	-	208,797
Reinsurance assets	1,863	-	31,100	-	-	-	-	32,963
Insurance receivables <sup>^</sup>	228	-	16,052	-	4,389	-	-	20,669
Other receivables	163,861	-	28,927	5,853	-	-	37,791	236,432
Derivative assets	2,230	-	-	-	-	-	-	2,230
Cash and bank balances	138,988	-	534	2,677	-	-	-	142,199
	5,411,427	-	2,431,525	472,478	4,389	972,444	-	9,292,263

<sup>^</sup> Based on ratings assigned by external rating agencies including RAM and MARC.

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

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

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Investment assets - Reconciliation of allowance account**

**Significant increase in credit risk**

The Company apply General Approach or 'three-stage' approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate ("EIR") method with the forward-looking element to compute the ECL.

The Company have considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the MBB Group's ECL model for debt securities portfolio.

**Expected credit loss**

The Company assess the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to Company. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

Investment assets - Reconciliation of allowance account (Contd.)

**Expected credit loss (Contd.)**

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 months after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance is measured for the Company during the year are mostly due to the debt security is classified as Watchlist ("WL") or downgraded bond whichever it is assesses at the reporting date.

The determination of whether a financial asset is credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

Investment assets - Reconciliation of allowance account (Contd.)

The table below shows the fair value of the Company's financial assets measured by credit risk, based on the Company's risk categories.

**2018**

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets at FVOCI</b>				
Sovereign	226,370	-	-	226,370
Very low	204,088	-	-	204,088
Low	226,604	29,871	-	256,475
Medium	35,533	-	-	35,533
<b>Carrying amount - fair value</b>	<b>692,595</b>	<b>29,871</b>	<b>-</b>	<b>722,466</b>
<b>Expected Credit Loss</b>	<b>(514)</b>	<b>(72)</b>	<b>(200)</b>	<b>(786)</b>

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Financial assets - Reconciliation of allowance account (Contd.)**

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

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
<b>2018</b>				
<b>Financial assets at FVOCI</b>				
Balance at 1 January	-	-	200	200
Effect of adopting MFRS 9	419	107	-	526
As at 1 January (restated)	419	107	200	726
Net adjustment of loss allowance	2	(35)	-	(33)
New financial assets originated or purchased	314	-	-	314
Financial assets that have been derecognised	(221)	-	-	(221)
At 31 December	514	72	200	786

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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Other financial assets - Reconciliation of allowance account**

Prior to 1 January 2018, the Company assess the impairment loss of its receivables where impairment loss is deemed to be incurred if there is objective evidence that loss event(s) has occurred which has an impact on the estimated future cash flows of the receivables that can be reliably measured and the carrying amount exceed the recoverable amount. Losses expected as a result of future events, no matter how likely, are not permitted to be recognised. Assessment of impairment falls under the concept of individual and collective assessment. The method of measuring for impairment individually or collectively on receivables will depend on the significance of the receivables amount.

Upon implementation of MFRS 9, the Company apply Simplified Approach where the ECL is measured at initial recognition of the receivables using a provision matrix based on historical data or also known as roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance premium type's arrangement respectively with forward looking element being applied to it.

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

<b>2018</b>	<b>Financing receivables (Note 11) RM'000</b>	<b>Reinsurance assets (Note 12) RM'000</b>	<b>Insurance receivables (Note 13) RM'000</b>	<b>Other receivables (Note 14) RM'000</b>	<b>Total RM'000</b>
<b>Lifetime ECL</b>					
At 1 January 2018	5,354	1,924	6,447	-	13,725
Effect of adopting MFRS 9	16	-	1,800	2	1,818
As at 1 January (restated)	5,370	1,924	8,247	2	15,543
Net adjustment of loss allowance	137	718	(6,654)	-	(5,799)
At 31 December 2018	5,507	2,642	1,593	2	9,744

**ETIQA GENERAL INSURANCE BERHAD**  
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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Other financial assets - Reconciliation of allowance account (Contd.)**

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**44. FINANCIAL RISKS (CONTD.)**

**(i) Credit Risk (Contd.)**

**Financial Effects of Collateral Held**

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

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

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 100% as at 31 December 2018 (2017: 98%). The financing receivables amounting to RM28,703,211 as at 31 December 2018 (2017: RM228,902,820) are collateralised.

The remaining balance of financing receivables are not collateralised.

**(ii) Liquidity Risk**

Liquidity risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The objective of liquidity risk management is to have sufficient cash availability to meet policyholders' liabilities, such as surrenders, withdrawal, claims and the maturity benefits, and other contract holders without endangering the business financials due to constraints on liquidating assets.

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**44. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

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

- (a) The Risk Management and Investment Management Department are actively monitoring the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform;
- (b) The Investment Management Department ensures that the established investment limits allow for reasonable liquidity requirements at all times; and
- (c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

**Maturity Profiles**

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

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

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**44. FINANCIAL RISKS (CONTD.)**

**(ii) Liquidity Risk (Contd.)**

**Maturity Profiles (Contd.)**

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<b>2018</b>						
Financial assets at:						
FVTPL	139,276	15,281	-	-	126,572	141,853
FVOCI	722,466	70,677	370,125	644,031	-	1,084,833
AC	245,774	245,774	-	-	-	245,774
Financing receivables	28,703	4,373	12,689	25,257	-	42,319
Reinsurance assets*	2,446,033	1,817,403	631,267	5	-	2,448,675
Insurance receivables	346,730	346,730	-	-	-	346,730
Other receivables	90,856	90,856	-	-	-	90,856
Derivative assets	82	82	-	-	-	82
Cash and bank balances	64,652	64,652	-	-	-	64,652
<b>Total assets</b>	<b>4,084,572</b>	<b>2,655,828</b>	<b>1,014,081</b>	<b>669,293</b>	<b>126,572</b>	<b>4,465,774</b>
Insurance contract liabilities*	2,764,447	2,069,151	695,143	154	-	2,764,448
Insurance payables	403,846	403,846	-	-	-	403,846
Other payables	96,694	96,694	-	-	-	96,694
<b>Total liabilities</b>	<b>3,264,987</b>	<b>2,569,691</b>	<b>695,143</b>	<b>154</b>	<b>-</b>	<b>3,264,988</b>

\* Excluding premium liabilities.

**ETIQA GENERAL INSURANCE BERHAD**  
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**44. FINANCIAL RISKS (CONTD.)**

(ii) Liquidity Risk (Contd.)

**Maturity Profiles (Contd.)**

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

\* Excluding premium liabilities.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

**ETIQA GENERAL INSURANCE BERHAD**  
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**44. FINANCIAL RISKS (CONT'D)**

**(ii) Liquidity Risk (Cont'd)**

**Maturity Profiles (Cont'd)**

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

\* Excluding premium liabilities.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

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**44. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk**

Market risk is the risk of loss or of adverse change in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market risk comprises three (3) types of risk:

- (a) Foreign exchange rates (currency risk);
- (b) Market interest rates/profit yields (interest rate risk); and
- (c) Equity price risk

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

- (a) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency;
- (b) Compliance with the policies is monitored and exposures and breaches are reported as soon as practical; and
- (c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

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

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

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**44. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(a) Currency Risk**

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

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

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

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

**(b) Interest Rate Risk**

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

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

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**44. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(b) Interest Rate Risk (Contd.)**

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

- (a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
- (b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality; and
- (c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

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

Changes in variables	<-----2018----->		<-----2017----->	
	Continuing operations		Discontinued operations	
	Impact on profit before tax RM'000	Impact on equity* RM'000 (Decrease)/increase	Impact on profit before tax RM'000 (Decrease)/increase	Impact on profit before tax on equity* RM'000 (Decrease)/increase
+100 basis points	(80)	(39,552)	-	(26,058)
-100 basis points	80	39,552	-	26,058
				(201,893)
				201,893

\* Impact on equity is computed after tax of 24% for Malaysia operations and 17% for Singapore operation.

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**44. FINANCIAL RISKS (CONTD.)**

**(iii) Market Risk (Contd.)**

**(c) Equity Price Risk**

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

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

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may incur over time.

		<-----2018----->		<-----2017----->			
		Continuing operations		Discontinued operations		Impact on profit before tax	Impact on equity*
		Impact on profit before tax	RM'000	Impact on profit before tax	RM'000		
Changes in variables							
	+10%	12,673	9,631	-	11,943	-	36,417
	-10%	(12,673)	(9,631)	-	(11,943)	-	(36,417)
Bursa Malaysia							

\* Impact on equity is computed after tax of 24% for Malaysia operations and 17% for Singapore operation.

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#### **44. FINANCIAL RISKS (CONTD.)**

##### **(iv) Concentration Risk**

Concentration risk refers to the risk associated with the potential losses associated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Company and its core operations (causing material adverse impact to the earnings, capital or total assets).

Concentration risk relates to non-diversified portfolios and arises due to excessive exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The Company's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, market and issuer, having regard also to such limits stipulated by BNM.

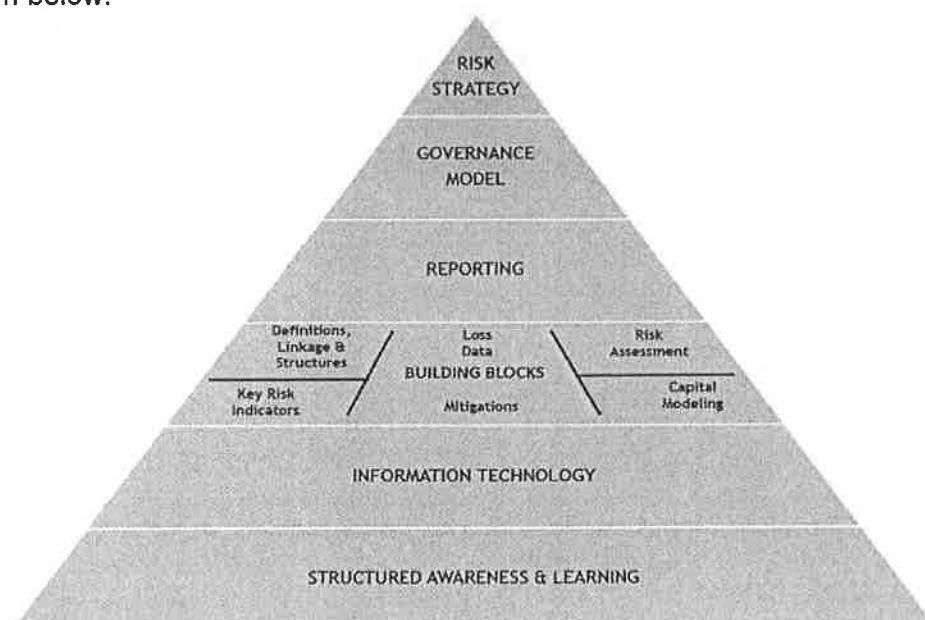
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

#### **45. OPERATIONAL RISK**

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

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

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



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**45. OPERATIONAL RISK (CONTD.)**

The continuous review and monitoring of the risks and the control effectiveness are vital for an effective operational risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the operational risks that affect Etiqa are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and through awareness and learning programme.

**Operational Risk Taxonomy**

**(i) Internal Fraud**

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

**(ii) External Fraud**

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

**(iii) Employment Practices and Workplace Safety**

- (i) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation, and low morale;
- (ii) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and
- (iii) Diversity & discrimination - failure to provide equalities in the employment practice.

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**45. OPERATIONAL RISK (CONTD.)**

**Operational Risk Taxonomy (Contd.)**

**(iv) Client or Products and Business Practices**

This risk covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

**(v) Damage to Physical Assets**

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

**(vi) Business Disruption and System Failures**

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

**(vii) Execution or Delivery and Process Management**

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

**(viii) Information Technology Risk**

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber risk that can lead to losses due to cyber-crime and cyber terrorism.

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**45. OPERATIONAL RISK (CONTD.)**

**Operational Risk Taxonomy**

**(ix) People & Performance Risk**

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

**(x) Model Risk**

Risk of a model not performing the tasks or capture the risks it was designed to.

**(xi) Information Risk**

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

**(xii) Legal Risk**

Risk of incurring actual or potential loss that arises due to inter alia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

**46. ENTERPRISE RISK**

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

**(i) Regulatory Risk**

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

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**46. ENTERPRISE RISK (CONTD.)**

**(ii) Corporate Governance Risk**

Risk of failure in the process and structure used to direct and manage the business and affairs of MAHB Group towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

**(iii) Industry Risk**

Risk arising from changes in opportunities, threats, competitors and other conditions affecting the attractiveness of an industry.

**(iv) Distribution Risk**

This is the risk of a loss due to distribution plans deviating adversely from expectations, especially in reliance on external parties and partners for the distribution and may include causes such as lack of alignment of incentives, poor relationship management and lack of sufficient bargaining power in the relationship.

**(v) Reputational Risk**

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

**(vi) Business & Strategic Risk**

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

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**47. 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.

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**47. FAIR VALUE MEASUREMENTS (CONTD.)**

**(a) Valuation principles (Contd.)**

The levels of the fair value hierarchy as defined by the MFRS are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

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

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

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

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

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

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

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

**(b) Valuation techniques**

**(i) Cash and cash equivalents and other receivables/payables**

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

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**47. FAIR VALUE MEASUREMENTS (CONTD.)**

**(b) Valuation techniques (Contd.)**

**(ii) Financing receivables**

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

**(iii) Insurance receivables and payables**

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

**(iv) Investments**

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

**(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.

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**47. FAIR VALUE MEASUREMENTS (CONTD.)**

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

	Valuation techniques used:			Total RM'000
	Level 1 Using Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	
<b>2018</b>				
<b><u>Assets</u></b>				
<b>Investment properties</b>	-	-	270,757	270,757
<b>Financial assets at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Debt securities, structured products and NCDs	-	12,704	-	12,704
<b>(ii) HFT</b>				
Equity securities	42,882	-	83,690	126,572
<b>Financial assets at FVOCI</b>				
Malaysian government papers	-	108,379	-	108,379
Debt securities, structured products and NCDs	-	614,087	-	614,087
Derivative assets	-	82	-	82
<b>Total assets</b>	<b>42,882</b>	<b>735,252</b>	<b>354,447</b>	<b>1,132,581</b>

**ETIQA GENERAL INSURANCE BERHAD**  
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**47. FAIR VALUE MEASUREMENTS (CONTD.)**

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

	Valuation techniques used:			Total RM'000
	Level 1 Using quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
<b>2017</b>				
<b>Continuing operations</b>				
<b><u>Assets</u></b>				
<b>Investment properties</b>	-	-	112,734	112,734
<b>Financial assets at AFS</b>				
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
<b>Total assets</b>	<b>111,636</b>	<b>632,832</b>	<b>112,734</b>	<b>857,202</b>
<b>Discontinued operations</b>				
<b><u>Assets</u></b>				
<b>Investment properties</b>	-	-	474,500	474,500
<b>Financial assets at FVTPL</b>				
<b>(i) Designated upon initial recognition</b>				
Malaysian government papers	-	240,275	-	240,275
Debt securities, structured products and NCDs	-	6,477,472	-	6,477,472

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**47. FAIR VALUE MEASUREMENTS (CONTD.)**

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

	Valuation techniques used:			Total RM'000
	Level 1 Using quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
<b>2017</b>				
<b>Discontinued operations (Contd.)</b>				
<b><u>Assets</u></b>				
<b>Financial assets at FVTPL (Contd.)</b>				
<b>(ii) HFT</b>				
Equity securities	912,914	-	-	912,914
Malaysian government papers	-	88,059	-	88,059
Debt securities, structured products and NCDs	-	244,689	-	244,689
Unit and property trust funds	53,031	-	-	53,031
<b>Financial assets at AFS</b>				
Equity securities	869,827	-	-	869,827
Unit and property trust funds	58,077	-	-	58,077
Derivative assets	-	2,230	-	2,230
<b>Total assets</b>	<b>1,893,849</b>	<b>7,052,725</b>	<b>474,500</b>	<b>9,421,074</b>
<b><u>Liabilities</u></b>				
Derivative liabilities	-	(25,791)	-	(25,791)
<b>Total liabilities</b>	<b>-</b>	<b>(25,791)</b>	<b>-</b>	<b>(25,791)</b>

**ETIQA GENERAL INSURANCE BERHAD**  
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**47. 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 determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2018.

**(e) Movements of Level 3 financial instruments and non-financial assets**

	<b>Investment properties</b>	<b>Financial instrument measured at fair value</b>
		<b>Designated at FVTPL</b>
<b>2018</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018	112,734	-
As previously restated (at cost)	-	45,502
Effect of adopting MFRS 9	-	34,770
As at 1 January 2018 (restated)	112,734	80,272
Recognised in the income statement:		
Fair value gain (Note 29)	17,978	3,418
Disposal/sales	(520)	-
Transfer from property, plant and equipment	96,635	-
Transfer from prepaid land lease payments	43,930	-
At 31 December 2018	<u>270,757</u>	<u>83,690</u>
Total gains recognised in income statement at the end of the reporting period	<u>17,978</u>	<u>3,418</u>

**ETIQA GENERAL INSURANCE BERHAD**  
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**47. FAIR VALUE MEASUREMENTS (CONTD.)**

**(e) Movements of Level 3 financial instruments and non-financial assets (Contd.)**

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

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

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**47. FAIR VALUE MEASUREMENTS (CONTD.)**

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

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

**48. REGULATORY CAPITAL REQUIREMENT**

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

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Share capital (paid up)	229,879	169,879
Reserves, including retained earnings	637,858	4,377,855
	<u>867,737</u>	<u>4,547,734</u>
<b>Tier 2 Capital</b>		
Revaluation reserve	76,391	1,073
FVOCI/AFS reserves	1,197	(12,867)
Subordinated term debts	-	500,000
Currency translation reserve	13,876	13,647
	<u>91,464</u>	<u>501,853</u>
Amount deducted from Capital	<u>(76,369)</u>	<u>(108,514)</u>
Total Capital Available	<u>882,832</u>	<u>4,941,073</u>

The Company's capital available consist of General Insurance funds for the financial year ended 2018 which is based on the prescribed formula in the BNM Risk Based Capital ("RBC") framework. For the financial year ended 2017, the Company's capital available consists of both General and Life Insurance funds.

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**49. SIGNIFICANT EVENTS**

**a) Increased in issued and paid-up share capital**

On 3 July 2018, the holding company, MAHB injected additional capital into the Company by way of the issuance of 60,000,000 new ordinary shares for cash amounting to a total of RM60 million. This resulted in an increase in the number of ordinary share from 152,151,399 to 212,151,399 and the issued and paid-up capital from RM169,878,927 to RM229,878,927.

**b) Redemption on Tier-2 Capital Subordinated Bonds of RM500,000,000**

On 13 June 2018, BNM approved the Company's redemption exercise for the Tier-2 Capital Subordinated Bonds of RM500,000,000 ("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.

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**50. INSURANCE FUNDS**

**STATEMENT OF FINANCIAL POSITION BY FUNDS**

	Company		Shareholder's and General Fund		Life Fund	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	Discontinued operations RM'000 (Note 16)
<b>Assets:</b>						
Property, plant and equipment	9,188	46,456	9,188	46,456	-	63,908
Investment properties	270,757	112,734	270,757	112,734	-	635,708
Prepaid land lease payments	-	7,132	-	7,132	-	11,424
Intangible assets	41,369	40,886	41,369	40,886	-	29,653
Investment in associate	152	152	152	152	-	-
Investments	1,107,516	1,164,016	1,107,516	1,164,016	-	9,561,887
Financing receivables	28,703	30,672	28,703	30,672	-	208,797
Reinsurance assets	2,703,348	2,608,475	2,703,348	2,608,475	-	32,963
Insurance receivables	346,730	384,811	346,730	384,811	-	20,669
Other receivables	90,856	245,927	90,856	245,927	-	236,432
Derivative assets	82	606	82	606	-	2,230
Deferred tax assets, net	-	2,101	-	2,101	-	-
Current tax assets	73,949	812	73,949	812	-	-
Cash and bank balances	64,652	33,606	64,652	33,606	-	142,199
	4,737,302	4,678,386	4,737,302	4,678,386	-	-
Assets classified as held for sale	-	10,945,870	-	-	-	10,945,870
<b>Total Assets</b>	<b>4,737,302</b>	<b>15,624,256</b>	<b>4,737,302</b>	<b>4,678,386</b>	<b>-</b>	<b>10,945,870</b>

**ETIQA GENERAL INSURANCE BERHAD**  
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**50. INSURANCE FUNDS (CONTD.)**

**STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)**

	Company		Shareholder's and General Fund		Life Fund	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	Discontinued operations RM'000 (Note 16)
<b>Equity and liabilities:</b>						
Share capital						
Reserves	229,879	169,879	229,879	169,879	-	-
Reserves directly associated with assets classified as held for sale	729,322	497,825	729,322	497,825	-	-
<b>Total Equity</b>	<b>959,201</b>	<b>1,766,198</b>	<b>959,201</b>	<b>667,704</b>	<b>-</b>	<b>1,766,198</b>
Insurance contract liabilities	3,243,212	3,122,520	3,243,212	3,122,520	-	8,193,491
Subordinated obligation	-	500,000	-	500,000	-	-
Derivative liabilities	-	-	-	-	-	25,791
Deferred tax liabilities, net	34,349	-	34,349	-	-	578,656
Insurance payables	403,846	318,382	403,846	318,382	-	15,281
Other payables <sup>1</sup>	96,694	59,661	96,694	59,661	-	366,453
Interest payable for subordinated obligation	-	10,119	-	10,119	-	-
	<b>3,778,101</b>	<b>4,010,682</b>	<b>3,778,101</b>	<b>4,010,682</b>	<b>-</b>	<b>-</b>

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

**ETIQA GENERAL INSURANCE BERHAD**  
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**50. INSURANCE FUNDS (CONTD.)**

**STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)**

	Company		Shareholder's and General Fund		Life Fund	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	Continuing operations RM'000	Discontinued operations RM'000	RM'000	RM'000
						(Note 16)
<b>Equity and liabilities (Contd.):</b>						
Liabilities directly associated with assets classified as held for sale	-	9,179,672	-	-	-	9,179,672
<b>Total Liabilities</b>	<b>3,778,101</b>	<b>13,190,354</b>	<b>3,778,101</b>	<b>4,010,682</b>	<b>-</b>	<b>9,179,672</b>
<b>Total Equity and Liabilities</b>	<b>4,737,302</b>	<b>15,624,256</b>	<b>4,737,302</b>	<b>4,678,386</b>	<b>-</b>	<b>10,945,870</b>
Inter fund balances	-	-	-	57,358	-	(57,358)

**ETIQA GENERAL INSURANCE BERHAD**  
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**50. INSURANCE FUNDS (CONTD.)**

**INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS**

	Company		Shareholder's Fund		General Fund		Life Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Discontinued operations RM'000 (Note 16)
<b>Operating revenue</b>								
Gross earned premiums	1,274,658	1,206,089	34,662	69,385	1,239,996	1,136,704	-	-
Earned premiums ceded to reinsurers	1,148,396	1,120,136	-	-	1,148,396	1,120,136	-	1,383,884
<b>Net earned premiums</b>	(722,915)	(705,938)	-	-	(722,915)	(705,938)	-	(23,683)
	425,481	414,198	-	-	425,481	414,198	-	1,360,201
Fee and commission income	61,481	57,294	-	-	61,481	57,294	-	3,098
Investment income	59,581	100,776	34,662	69,385	24,919	31,391	-	453,196
Realised gains/(losses)	(11,325)	101,822	(7,181)	88,835	(4,144)	12,987	-	245,710
Fair value gains/(losses)	19,837	886	20,742	80	(905)	806	-	69,652
Other operating income/(expenses), net <sup>a</sup>	20,995	(4,689)	4,209	(8,706)	16,786	4,017	-	(74,822)
<b>Other revenue</b>	150,569	256,089	52,432	149,594	98,137	106,495	-	696,834
Gross benefits and claims paid <sup>a</sup>	(520,768)	(784,843)	-	-	(520,768)	(784,843)	-	(1,236,272)
Claims ceded to reinsurers	294,449	555,304	-	-	294,449	555,304	-	12,848
Gross change in contract liabilities	(54,011)	727,337	-	-	(54,011)	727,337	-	(327,870)
Change in contract liabilities ceded to reinsurers	61,383	(661,868)	-	-	61,383	(661,868)	-	7,196
<b>Net benefits and claims</b>	(218,947)	(164,070)	-	-	(218,947)	(164,070)	-	(1,544,038)
Management expenses	(139,541)	(158,110)	(4,862)	(7,613)	(134,679)	(150,497)	-	(123,173)
Fee and commission expenses	(85,956)	(80,188)	-	-	(85,956)	(80,188)	-	(104,490)
Interest on subordinated obligation	(10,532)	(20,650)	(10,532)	(20,650)	-	-	-	-
Taxation borne by policyholders	-	-	-	-	-	-	-	(47,740)
<b>Other expenses</b>	(236,029)	(258,948)	(15,394)	(28,263)	(220,635)	(230,685)	-	(275,403)
<b>Surplus for the year</b>	121,074	247,269	37,038	121,331	84,036	125,938	-	237,534
Taxation	4,554	(69,981)	21,730	(39,453)	(17,176)	(30,528)	-	(48,646)
<b>Net profit for the year for continuing operations</b>	125,628	177,288	58,768	81,878	66,860	95,410	-	-
<b>Net profit for the year for discontinued operations</b>	-	188,888	-	-	-	-	-	188,888
<b>Net profit for the year</b>	125,628	366,176	58,768	81,878	66,860	95,410	-	188,888
<b>Surplus transfer (net of tax) from:</b>								
- General Funds	-	-	66,860	95,410	(66,860)	(95,410)	-	-
- Life Par Funds	-	-	-	12,118	-	-	-	(12,118)
- Life Non-Par Funds	-	-	-	176,770	-	-	-	(176,770)
<b>Net profit for the year</b>	125,628	366,176	125,628	366,176	-	-	-	-

<sup>a</sup> The previous 2016 figures at company level have taken into consideration an inter fund elimination of RM2,227,074.

**ETIQA GENERAL INSURANCE BERHAD**  
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**50. INSURANCE FUNDS (CONTD.)**

**STATEMENT OF CASH FLOWS BY FUNDS**

	Company		Shareholder's Fund		General Fund		Life Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:								
Operating activities	538,573	559,025	451,487	108,667	87,086	(136,103)	-	586,461
Investing activities	(46,877)	275,708	9,984	662,827	(56,861)	130,431	-	(517,550)
Financing activities	(460,650)	(770,650)	(460,650)	(770,650)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	31,046	64,083	821	844	30,225	(5,672)	-	68,911
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial year	33,606	111,722	3,566	2,722	30,040	35,712	-	73,288
Attributable to disposal group held for sale (Note 16)	-	(142,199)	-	-	-	-	-	(142,199)
Cash and cash equivalents at end of financial year	64,652	33,606	4,387	3,566	60,265	30,040	-	-