



ETIQA INSURANCE BERHAD

(9557 T)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
for the six months period ended 30 June 2014**

9557 T

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

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30.6.2014 RM'000	31.12.2013 RM'000
Assets:			
Property, plant and equipment		113,992	112,934
Investment properties		575,894	574,536
Prepaid land lease payments		19,722	19,874
Intangible assets		19,860	23,119
Investment in associate		152	152
Investments	11	12,978,912	12,951,711
Financing receivables		266,951	267,131
Reinsurance assets	12	3,304,548	1,711,403
Insurance receivables		307,448	198,463
Other receivables		276,759	230,574
Derivatives		10,793	10,227
Current tax assets		33,990	39,226
Cash and bank balances		154,905	139,548
Total Assets		<u>18,063,926</u>	<u>16,278,898</u>
Equity and liabilities:			
Share capital		152,151	152,151
Reserves		2,468,731	2,337,224
Total Equity		<u>2,620,882</u>	<u>2,489,375</u>
Insurance contract liabilities	13	13,851,874	12,285,316
Subordinated obligation		500,000	500,000
Deferred tax liabilities, net		438,440	435,198
Insurance payables		281,342	211,556
Other payables		361,431	347,270
Interest payable for subordinated obligation		9,957	10,183
Total Liabilities		<u>15,443,044</u>	<u>13,789,523</u>
Total Equity and Liabilities		<u>18,063,926</u>	<u>16,278,898</u>

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes.

ETIQA INSURANCE BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	30.6.2014	30.6.2013
	RM'000	RM'000
		(Restated)
Gross premiums	1,469,394	1,447,407
Investment income	306,519	291,168
Operating revenue	<u>1,775,913</u>	<u>1,738,575</u>
Gross earned premiums	1,322,913	1,316,523
Earned premiums ceded to reinsurers	(405,455)	(422,390)
Net earned premiums	<u>917,458</u>	<u>894,133</u>
Fee and commission income	22,179	35,476
Investment income	306,519	291,168
Realised gains	205,449	262,057
Fair value losses	(51,027)	(27,741)
Other operating loss, net	(11,707)	(1,766)
Other revenue	<u>471,413</u>	<u>559,194</u>
Gross benefits and claims paid	(1,547,126)	(870,404)
Claims ceded to reinsurers	691,513	58,628
Gross change to contract liabilities	(1,463,534)	(175,684)
Change in contract liabilities ceded to reinsurers	1,447,408	82,357
Net benefits and claims	<u>(871,739)</u>	<u>(905,103)</u>
Management expenses	(149,015)	(136,912)
Fee and commission expenses	(89,039)	(93,762)
Interest on subordinated obligation	(10,240)	-
Taxation of life funds	(27,306)	(27,609)
Other expenses	<u>(275,600)</u>	<u>(258,283)</u>
Profit before tax	241,532	289,941
Taxation	(61,925)	(75,010)
Net profit for the period	<u>179,607</u>	<u>214,931</u>
Earnings per share (sen)		
Basic	<u>118.05</u>	<u>141.26</u>

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes.

ETIQA INSURANCE BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)
Net profit for the period	<u>179,607</u>	<u>214,931</u>
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Change in value of AFS financial assets, net		
- Fair value changes	60,566	153,548
- Transfer to profit or loss upon disposal	(167,305)	(193,625)
- Fair value adjust for AFS financial asset backing Participating Fund	46,891	3,348
Tax effect relating to AFS financial assets	15,092	7,506
	(44,756)	(29,223)
Currency translation differences	(3,344)	419
Other comprehensive loss for the period, net of tax	<u>(48,100)</u>	<u>(28,804)</u>
Total comprehensive income for the period	<u><u>131,507</u></u>	<u><u>186,127</u></u>

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes.

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	←-----Non-distributable-----→					Retained Earnings			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Available- for-Sale Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non- distributable Participating Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	
At 1 January 2014	152,151	17,728	71,602	11,647	25,150	1,188,727	1,022,370	2,211,097	2,489,375
Total Comprehensive Income	-	-	(44,756)	-	(3,344)	80,663	98,945	179,607	131,507
At 30 June 2014	152,151	17,728	26,846	11,647	21,806	1,269,390	1,121,315	2,390,704	2,620,882
At 1 January 2013 (as previously stated)	152,151	17,728	122,486	11,647	12,561	1,010,380	1,247,388	2,257,768	2,574,341
Effect due to prior year adjustment	-	-	-	-	-	-	20,261	20,261	20,261
At 1 January 2013 (as restated)	152,151	17,728	122,486	11,647	12,561	1,010,380	1,267,649	2,278,029	2,594,602
Total Comprehensive Income	-	-	(29,223)	-	419	105,385	109,546	214,931	186,127
At 30 June 2013	152,151	17,728	93,263	11,647	12,980	1,115,765	1,377,195	2,492,960	2,780,729

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes.

ETIQA INSURANCE BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	30.6.2014	30.6.2013
	RM'000	RM'000
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	241,532	289,941
Adjustments for:		
Taxation of life funds	27,306	27,609
Depreciation of property, plant and equipment	5,701	6,047
Amortisation of intangible assets	6,886	4,701
Fair value loss on investment	51,904	24,105
Fair value gain on investment property	-	(2,739)
Fair value (gain)/loss on derivatives	(877)	4,897
Amortisation of prepaid land lease payments	152	152
Accretion of discounts	(1,111)	(545)
Loss on disposal of property, plant and equipment	28	-
Net loss/(gain) on foreign exchange	3,977	(3,173)
Allowance/(write back) of impairment of insurance receivables	1,829	(3,853)
Bad debt written off	494	3,846
Allowance/(write back) of impairment of other receivables	21	(92)
Write back of impairment of financing receivables	-	(55)
Net gain on disposal of investments	(205,500)	(262,010)
Net loss/(gain) on disposal of derivatives	23	(46)
Interest income	(266,118)	(251,001)
Interest on subordinated obligation	10,240	-
Impairment on investments	7,079	1,951
Impairment of property, plant and equipment	-	58
Impairment of prepaid land lease payments	-	164
Gross dividend income	(24,373)	(30,928)
Rental income	(15,376)	(10,727)
Loss from operations before changes in operating assets and liabilities	(156,183)	(201,698)
Changes in working capital:		
Increase in reinsurance assets	(1,593,145)	(214,135)
Increase in insurance receivables	(111,308)	(222,684)
(Increase)/decrease in other receivables	(29,627)	14,024
Decrease/(increase) in financing receivables	180	(123)
(Increase)/decrease in amounts due to related parties	(10,843)	3,460
Increase/(decrease) in other payables	14,675	(40,724)
Increase in insurance contract liabilities	1,610,014	306,603
Increase in insurance payables	69,787	181,710
Carried forward	(206,450)	(173,567)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014 (CONTD.)

	30.6.2014	30.6.2013
	RM'000	RM'000
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Brought forward	(206,450)	(173,567)
Decrease in LAR	154,539	56,611
Interest income received	256,411	253,363
Dividend income received	28,186	29,121
Rental income received	14,967	10,450
Foreign exchange fluctuation	(3,344)	419
Cash generated from operations	<u>244,309</u>	<u>176,397</u>
Tax paid	(62,300)	(81,193)
Net cash generated from operating activities	<u>182,009</u>	<u>95,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	4,034,657	4,311,894
Purchase of investments	(4,179,065)	(4,401,413)
Proceeds from disposal of derivatives	17	46
Purchase of derivatives	-	(14,772)
Proceeds from sale of property, plant and equipment	3	975
Purchase of property, plant and equipment	(7,639)	(5,166)
Purchase of investment property	(1,359)	-
Purchase of intangible assets	(2,800)	(3,985)
Net cash used in investing activities	<u>(156,186)</u>	<u>(112,421)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Interest paid for subordinated obligation	(10,466)	-
Net cash used in financing activity	<u>(10,466)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	15,357	(17,217)
Cash and cash equivalents at beginning of period	139,548	159,820
Cash and cash equivalents at end of period	<u>154,905</u>	<u>142,603</u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	86,452	83,731
Life insurance fund	68,453	58,872
	<u>154,905</u>	<u>142,603</u>

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the period ended 30 June 2014 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - *Interim Financial Reporting*.

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

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2013.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2013.

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

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The significant accounting policies adopted in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2013 except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee ("IC") Interpretations:

MFRSs/ Amendments/Interpretations	Effective date
MFRS 10 <i>Consolidated Financial Statements - Investment Entities (Amendments to MFRS 10)</i>	1 January 2014
MFRS 12 <i>Disclosure of Interest in Other Entities - Investment Entities (Amendments to MFRS 12)</i>	1 January 2014
MFRS 127 <i>Separate Financial Statements - Investment Entities (Amendments to MFRS 127)</i>	1 January 2014
MFRS 132 <i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)</i>	1 January 2014
MFRS 136 <i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)</i>	1 January 2014

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (CONTD.)

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTD.)

MFRSs/ Amendments/Interpretations	Effective date
MFRS 139 <i>Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)</i>	1 January 2014
IC Interpretation 21, Levies	1 January 2014

The adoption of the above amendments to MFRSs and IC interpretation would not have any material impact to the Company's financial performance.

3. STATUS OF AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 does not contain any qualification.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of the Company was not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2014. However, as is common for insurers licensed under Financial Services Act 2013, surplus will only be transferred at the financial year end upon approval by the Appointed Actuary.

5. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the six months period ended 30 June 2014.

6. CHANGES IN ESTIMATES

There were no changes in estimates in respect of amounts reported in prior financial years that would have a material effect on the unaudited condensed interim financial statements.

7. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance or repayment of debt and equity securities for the six months period ended 30 June 2014.

8. DIVIDENDS PAID

No dividend has been paid or declared by the Company since the end of the previous financial year.

9. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

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

10. CHANGES IN THE COMPOSITION OF THE COMPANY

There was no change in the composition of the Company from the previous audited financial statements.

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11. INVESTMENTS

	30.6.2014	31.12.2013
	RM'000	RM'000
Malaysian government papers	824,203	566,230
Singapore government securities	41,052	38,211
Debt securities	7,802,464	7,672,726
Equity securities	2,112,882	1,909,300
Unit and property trust funds	72,202	238,959
Irredeemable loan stock	6,663	10,548
Structured products	702,762	945,076
Negotiable certificate of deposits	254,108	253,546
Deposits with financial institutions	1,162,576	1,317,115
	<u>12,978,912</u>	<u>12,951,711</u>

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

	30.6.2014	31.12.2013
	RM'000	RM'000
Available-for-sale ("AFS")	2,979,038	3,173,701
Fair value through profit and loss ("FVTPL")		
- designated upon initial recognition at FVTPL	7,127,285	6,994,257
- held for trading ("HFT")	1,710,013	1,466,638
Loan and receivables ("LAR")	1,162,576	1,317,115
	<u>12,978,912</u>	<u>12,951,711</u>

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

	30.6.2014	31.12.2013
	RM'000	RM'000
AFS	1,331,588	1,372,306
FVTPL		
- designated upon initial recognition	6,698,168	6,550,600
- HFT	814,144	909,306
	<u>8,843,900</u>	<u>8,832,212</u>

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11. INVESTMENTS (CONTD.)

	30.6.2014	31.12.2013
	RM'000	RM'000
(a) AFS		
<u>Fair value</u>		
Malaysian government papers	159,589	128,220
Singapore government securities	41,052	38,211
Debt securities:		
Quoted outside Malaysia	87,816	58,356
Unquoted in Malaysia	1,081,868	1,146,629
Unquoted outside Malaysia	16,486	25,314
Equity securities:		
Quoted in Malaysia	1,302,371	1,292,111
Quoted outside Malaysia	42,903	21,034
Unquoted in Malaysia	102,251	102,251
Unit and property trust funds:		
Quoted in Malaysia	4,887	25,730
Quoted outside Malaysia	-	145,226
Unquoted in Malaysia	50,004	49,990
Irredeemable loan stock	6,663	10,548
Structured products	53,039	99,785
Negotiable certificate of deposits	30,109	30,296
Total AFS financial assets	<u>2,979,038</u>	<u>3,173,701</u>
(b) FVTPL		
(i) Designated upon initial recognition		
<u>Fair value</u>		
Malaysian government papers	562,058	371,683
Debt securities:		
Unquoted in Malaysia	6,159,453	6,104,138
Unquoted outside Malaysia	125,287	46,355
Structured products	71,547	263,961
Negotiable certificate of deposits	208,940	208,120
	<u>7,127,285</u>	<u>6,994,257</u>

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11. INVESTMENT (CONTD.)

(b) FVTPL (Contd.)

	30.6.2014	31.12.2013
	RM'000	RM'000
(ii) HFT		
<u>Fair value</u>		
Malaysian government papers	102,556	66,327
Debt securities:		
Unquoted in Malaysia	331,554	291,934
Equity securities		
Quoted in Malaysia	665,357	493,904
Unit and property trust funds		
Quoted in Malaysia	1,660	796
Quoted outside Malaysia	15,650	17,217
Structured products	578,177	581,330
Negotiable certificate of deposits	15,059	15,130
	<u>1,710,013</u>	<u>1,466,638</u>
 Total FVTPL financial assets	 <u>8,837,298</u>	 <u>8,460,895</u>

(c) LAR

Fixed and call deposits with:		
Licensed banks	1,132,178	1,275,003
Other financial institutions	30,398	42,112
Total LAR financial assets	<u>1,162,576</u>	<u>1,317,115</u>
	 <u>12,978,912</u>	 <u>12,951,711</u>

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

An analysis of the different fair value measurement bases used in the determination of the fair values of Investments are further disclosed in Note 16(a) of the interim financial statements.

Included in the AFS financial assets are assets pledged to obtain a banking facility from Malayan Banking Berhad ("MBB") which amounted to RM35,000,000 (31.12.2013: RM45,760,000).

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12. REINSURANCE ASSETS

	30.6.2014	31.12.2013
	RM'000	RM'000
Reinsurers' share of:		
- Life insurance contract liabilities (Note 13)	26,893	27,649
- General insurance contract liabilities (Note 13)	3,277,691	1,683,790
	<u>3,304,584</u>	<u>1,711,439</u>
- Allowance for impairment	(36)	(36)
	<u>3,304,548</u>	<u>1,711,403</u>

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13. INSURANCE CONTRACT LIABILITIES

	←----- 30.6.2014 ----->			←----- 31.12.2013 ----->		
	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000
Life insurance (Note A)	9,747,752	(26,893)	9,720,859	9,754,753	(27,649)	9,727,104
General insurance (Note B)	4,104,122	(3,277,691)	826,431	2,530,563	(1,683,790)	846,773
	13,851,874	(3,304,584)	10,547,290	12,285,316	(1,711,439)	10,573,877

(A) Life Insurance

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

(i) Life insurance contract liabilities

	←----- 30.6.2014 ----->			←----- 31.12.2013 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities	48,100	(2,542)	45,558	59,554	(1,600)	57,954
Actuarial liabilities	7,093,851	(24,351)	7,069,500	7,290,787	(26,049)	7,264,738
Participating fund unallocated surplus	676,174	-	676,174	605,418	-	605,418
Participating fund AFS reserve	108,017	-	108,017	151,474	-	151,474
NAV attributable to unitholders (Note 20)	1,821,610	-	1,821,610	1,647,520	-	1,647,520
	9,747,752	(26,893)	9,720,859	9,754,753	(27,649)	9,727,104

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13. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities

	Claims Liabilities RM'000	NAV attributable to unitholders RM'000	Participating fund AFS reserve RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
30.6.2014								
As at 1 January 2014	59,554	1,647,520	151,474	7,290,787	605,418	9,754,753	(27,649)	9,727,104
Net earned premiums	-	232,949	-	-	154,913	387,862	-	387,862
Other revenue	-	66,830	-	-	166,146	232,976	-	232,976
Net benefits and claims	(11,454)	(119,795)	-	-	(398,033)	(529,282)	(943)	(530,225)
Other expenses	-	(24)	-	-	(31,566)	(31,590)	-	(31,590)
Change in Reserve :								
- Discounting	-	-	-	13,531	8,806	22,337	(129)	22,208
- Policy movements	-	-	-	(210,467)	181,518	(28,949)	1,828	(27,121)
Changes in AFS reserve	-	-	(46,891)	-	-	(46,891)	-	(46,891)
Taxation	-	(5,870)	3,434	-	(11,791)	(14,227)	-	(14,227)
Participating fund surplus transferred from shareholder	-	-	-	-	763	763	-	763
As at 30 June 2014	48,100	1,821,610	108,017	7,093,851	676,174	9,747,752	(26,893)	9,720,859
31.12.2013								
As at 1 January 2013	58,957	1,354,766	130,367	8,147,978	441,204	10,133,272	(33,813)	10,099,459
Net earned premiums	-	342,186	-	-	309,090	651,276	-	651,276
Other revenue	-	122,897	-	-	225,774	348,671	-	348,671
Net benefits and claims	597	(162,599)	-	-	(540,963)	(702,965)	1,100	(701,865)
Other expenses	-	(39)	-	-	(74,323)	(74,362)	-	(74,362)
Change in Reserve :								
- Discounting	-	-	-	(274,670)	164,236	(110,434)	831	(109,603)
- Assumptions	-	-	-	14,352	8,919	23,271	-	23,271
- Policy Movements	-	-	-	(596,873)	88,537	(508,336)	4,233	(504,103)
Changes in AFS reserve	-	-	22,840	-	-	22,840	-	22,840
Taxation	-	(9,691)	(1,733)	-	(8,501)	(19,925)	-	(19,925)
Participating fund surplus transferred to shareholder	-	-	-	-	(8,555)	(8,555)	-	(8,555)
As at 31 December 2013	59,554	1,647,520	151,474	7,290,787	605,418	9,754,753	(27,649)	9,727,104

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13. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance

	←----- 30.6.2014 ----->			←----- 31.12.2013 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities (i)	3,353,091	(2,850,529)	502,562	1,926,013	(1,402,365)	523,648
Premium liabilities (ii)	751,031	(427,162)	323,869	604,550	(281,425)	323,125
	<u>4,104,122</u>	<u>(3,277,691)</u>	<u>826,431</u>	<u>2,530,563</u>	<u>(1,683,790)</u>	<u>846,773</u>

(i) Claims liabilities

	←----- 30.6.2014 ----->			←----- 31.12.2013 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January (as previously stated)	1,926,013	(1,402,365)	523,648	1,940,036	(1,388,963)	551,073
Effect due to prior year adjustment	-	-	-	(28,037)	1,023	(27,014)
As at 1 January (as restated)	<u>1,926,013</u>	<u>(1,402,365)</u>	<u>523,648</u>	<u>1,911,999</u>	<u>(1,387,940)</u>	<u>524,059</u>
Claims incurred in the current accident period/year	1,971,131	(1,808,388)	162,743	746,028	(407,454)	338,574
Other movements in claims incurred in prior accident period/year	(94,022)	66,611	(27,411)	(220,373)	195,392	(24,981)
Claims paid during the period/year	(836,214)	681,188	(155,026)	(530,344)	202,432	(327,912)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(909)	(30)	(939)	7,096	68	7,164
Movements in PRAD	387,092	(387,545)	(453)	11,607	(4,863)	6,744
As at 30 June 2014/31 December 2013	<u>3,353,091</u>	<u>(2,850,529)</u>	<u>502,562</u>	<u>1,926,013</u>	<u>(1,402,365)</u>	<u>523,648</u>

(ii) Premium liabilities

	←----- 30.6.2014 ----->			←----- 31.12.2013 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January	604,550	(281,425)	323,125	592,099	(268,823)	323,276
Premiums written in the period/year	830,754	(538,410)	292,344	1,423,638	(833,720)	589,918
Premiums earned during the period/year	(684,273)	392,673	(291,600)	(1,411,187)	821,118	(590,069)
As at 30 June 2014/31 December 2013	<u>751,031</u>	<u>(427,162)</u>	<u>323,869</u>	<u>604,550</u>	<u>(281,425)</u>	<u>323,125</u>

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14. OPERATING LEASE COMMITMENTS

(a) Company as lessee

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

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

	30.6.2014	31.12.2013
	RM'000	RM'000
Within 1 year	3,213	3,010
After 1 year but not more than 5 years	8,467	8,017
	<u>11,680</u>	<u>11,027</u>

(b) Company as lessor

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

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

	30.6.2014	31.12.2013
	RM'000	RM'000
Not later than 1 year	35,034	32,308
Later than 1 year but not later than 5 years	60,718	79,766
	<u>95,752</u>	<u>112,074</u>

15. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2014	31.12.2013
	RM'000	RM'000
Approved and contracted for:		
Property, plant and equipment	16,922	7,293
Intangible assets	4,334	1,831
	<u>21,256</u>	<u>9,124</u>
Approved and not contracted for:		
Property, plant and equipment	-	1,836

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16. FAIR VALUES HIERARCHY

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified into 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 actively traded government securities, listed derivatives and cash products traded on 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 and less liquid equities.

- 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.

Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and highly structured OTC derivatives.

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16. FAIR VALUES HIERARCHY (CONTD.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy

	Valuation technique used:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
30.6.2014				
<u>Assets</u>				
AFS financial assets				
Equity securities	1,345,274	-	-	1,345,274
Malaysian government papers	-	159,589	-	159,589
Singapore government securities	-	41,052	-	41,052
Debt securities, structured products and NCDs	87,816	1,181,502	-	1,269,318
Irredeemable loan stock	6,663	-	-	6,663
Unit and property trust funds	4,887	-	-	4,887
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	562,058	-	562,058
Debt securities, structured products and NCDs	-	6,565,227	-	6,565,227
(ii) HFT				
Equity securities	665,357	-	-	665,357
Malaysian government papers	-	102,556	-	102,556
Debt securities, structured products and NCDs	-	924,790	-	924,790
Unit and property trust funds	17,310	-	-	17,310
Derivative assets	-	-	12,709	12,709
Total assets	2,127,307	9,536,774	12,709	11,676,790
<u>Liabilities</u>				
Derivative Liabilities	-	-	(1,916)	(1,916)
Total liabilities	-	-	(1,916)	(1,916)

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16. FAIR VALUES HIERARCHY (CONTD.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy (Contd.)

	Valuation technique used:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
31.12.2013				
<u>Assets</u>				
AFS financial assets				
Equity securities	1,313,145	-	-	1,313,145
Malaysian government papers	-	128,220	-	128,220
Singapore government securities	-	38,211	-	38,211
Debt securities, structured products and NCDs	58,356	1,302,024	-	1,360,380
Irredeemable loan stock	10,548	-	-	10,548
Unit and property trust funds	170,956	-	-	170,956
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	371,683	-	371,683
Debt securities, structured products and NCDs	-	6,622,574	-	6,622,574
(ii) HFT				
Equity securities	493,904	-	-	493,904
Malaysian government papers	-	66,327	-	66,327
Debt securities, structured products and NCDs	-	888,394	-	888,394
Unit and property trust funds	18,013	-	-	18,013
Derivative assets	-	-	13,278	13,278
Total assets	2,064,922	9,417,433	13,278	11,495,633
<u>Liabilities</u>				
Derivative Liabilities	-	-	(3,051)	(3,051)
Total liabilities	-	-	(3,051)	(3,051)

Unquoted equity securities and unquoted unit and property trust funds of RM102,251,154 and RM50,004,687 (31.12.2013: RM102,251,154 and RM49,989,929) respectively as disclosed in Note 11 are not included in the above analysis as they are carried at cost.

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16. FAIR VALUES HIERARCHY (CONTD.)

(b) Reconciliation of level 3 fair value hierarchy

	Financial instruments measured at fair value		
	Derivative assets RM'000	Derivative liabilities RM'000	Total RM'000
30.6.2014			
At 1 January 2014	13,278	(3,051)	10,227
Recognised in Income Statement:			
Realised loss	(7)	(16)	(23)
Fair value (loss)/gain	(259)	1,136	877
Unrealised loss on foreign exchange	(271)	-	(271)
Sales	(20)	-	(20)
Settlements	(13)	16	3
At 30 June 2014	<u>12,708</u>	<u>(1,915)</u>	<u>10,793</u>
Total (losses)/gains recognised in Income Statement for financial instruments measured at fair value at the end of the reporting period	<u>(537)</u>	<u>1,120</u>	<u>583</u>

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16. FAIR VALUES HIERARCHY (CONTD.)

(b) Reconciliation of level 3 fair value hierarchy (Contd.)

	Financial instruments measured at fair value		
	Derivative assets RM'000	Derivative liabilities RM'000	Total RM'000
31.12.2013			
At 1 January 2013	688	-	688
Recognised in Income Statement:			
Realised loss	(757)	-	(757)
Fair value loss	(2,599)	(3,051)	(5,650)
Unrealised gain on foreign exchange	14	-	14
Purchases	15,175	-	15,175
Settlements	757	-	757
At 31 December 2013	<u>13,278</u>	<u>(3,051)</u>	<u>10,227</u>
Total losses recognised in Income Statement for financial instruments measured at fair value at the end of the reporting year	<u>(3,342)</u>	<u>(3,051)</u>	<u>(6,393)</u>

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17. CONTINGENT LIABILITY

On 22 October 2012, the Company and fellow subsidiary had terminated the services of a service provider on the grounds that they had not complied with the services required of them under the service level agreement between the service provider and the Company and fellow subsidiary. On 28 November 2012, the service provider had, via its solicitors, issued a letter of demand against the Company and fellow subsidiary for a particular sum, alleged to be amounts owing to the service provider for outstanding claims by medical providers. In respect of the amounts claimed by the service provider, management is of the opinion that the claimed amounts were not substantiated and, thus, no payments were made. The solicitors of the Company and fellow subsidiary had advised management that the Company and fellow subsidiary had a reasonable defence against the claim until such time as sufficient evidence is given by the service provider to support the claimed amounts. Accordingly, management of the Company and fellow subsidiary are of the view that an accrual for the claimed amounts is not necessary at this juncture, as the alleged amounts are not substantiated by documentary evidence.

18. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2014 and 31 December 2013, as prescribed under the RBC Framework is provided below:

	30.6.2014	31.12.2013
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	152,151	152,151
Reserves, including retained earnings	4,088,941	3,840,620
	<u>4,241,092</u>	<u>3,992,771</u>
Tier 2 Capital		
Revaluation reserves	11,647	11,647
Available-for-sale reserves	141,136	233,329
Subordinated term debts	500,000	500,000
Currency translation reserve	21,805	25,150
	<u>674,588</u>	<u>770,126</u>
Amount deducted from Capital	<u>(61,852)</u>	<u>(75,860)</u>
Total Capital Available	<u>4,853,828</u>	<u>4,687,037</u>

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19. INSURANCE FUNDS

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

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

The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products.

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

CONDENSED FINANCIAL STATEMENTS

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2014 RM'000	31.12.2013 RM'000	30.6.2014 RM'000	31.12.2013 RM'000	30.6.2014 RM'000	31.12.2013 RM'000
Assets:						
Property, plant and equipment	113,992	112,934	61,494	61,840	52,498	51,094
Investment properties	575,894	574,536	50,144	50,144	525,750	524,392
Prepaid land lease payments	19,722	19,874	9,883	9,960	9,839	9,914
Intangible assets	19,860	23,119	7,721	7,158	12,139	15,961
Investment in associate	152	152	152	152	-	-
Investments	12,978,912	12,951,711	2,328,212	2,397,805	10,650,700	10,553,906
Financing receivables	266,951	267,131	9,199	9,961	257,752	257,170
Reinsurance assets	3,304,548	1,711,403	3,277,655	1,683,754	26,893	27,649
Insurance receivables	307,448	198,463	249,957	159,862	57,491	38,601
Other receivables	276,759	230,574	132,277	84,799	144,482	145,775
Derivatives	10,793	10,227	-	(90)	10,793	10,317
Current tax assets	33,990	39,226	63,248	47,458	(29,258)	(8,232)
Cash and bank balances	154,905	139,548	86,452	85,097	68,453	54,451
Total Assets	18,063,926	16,278,898	6,276,394	4,597,900	11,787,532	11,680,998

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19. INSURANCE FUNDS (CONTD.)

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

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2014 RM'000	31.12.2013 RM'000	30.6.2014 RM'000	31.12.2013 RM'000	30.6.2014 RM'000	31.12.2013 RM'000
<u>Equity and liabilities:</u>						
Share capital	152,151	152,151	152,151	152,151	-	-
Reserves	2,468,731	2,337,224	2,468,731	2,337,224	-	-
	<u>2,620,882</u>	<u>2,489,375</u>	<u>2,620,882</u>	<u>2,489,375</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities	13,851,874	12,285,316	4,104,122	2,530,563	9,747,752	9,754,753
Subordinated obligation	500,000	500,000	500,000	500,000	-	-
Deferred tax liabilities, net	438,440	435,198	408,319	397,945	30,121	37,253
Insurance payables	281,342	211,556	255,623	188,403	25,719	23,153
Other payables ¹	361,431	347,270	(1,622,509)	(1,518,569)	1,983,940	1,865,839
Interest payable for subordinated obligation	9,957	10,183	9,957	10,183	-	-
Total Liabilities	<u>15,443,044</u>	<u>13,789,523</u>	<u>3,655,512</u>	<u>2,108,525</u>	<u>11,787,532</u>	<u>11,680,998</u>
Total equity and liabilities	<u>18,063,926</u>	<u>16,278,898</u>	<u>6,276,394</u>	<u>4,597,900</u>	<u>11,787,532</u>	<u>11,680,998</u>
Inter fund balances	-	-	(1,727,537)	(1,618,097)	1,727,537	1,618,097

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

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19. INSURANCE FUNDS (CONTD.)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM INCOME STATEMENT/ REVENUE ACCOUNTS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)
Gross premium	1,469,394	1,447,407	-	-	830,754	842,485	638,640	604,922
Investment income	306,519	291,168	29,824	32,627	17,318	13,401	259,377	245,140
Operating revenue	1,775,913	1,738,575	29,824	32,627	848,072	855,886	898,017	850,062
Gross earned premiums	1,322,913	1,316,523	-	-	684,273	711,601	638,640	604,922
Earned premiums ceded to reinsurers	(405,455)	(422,390)	-	-	(392,673)	(415,921)	(12,782)	(6,469)
Net earned premiums	917,458	894,133	-	-	291,600	295,680	625,858	598,453
Fee and commission income	22,179	35,476	-	-	22,700	34,569	(521)	907
Investment income	306,519	291,168	29,824	32,627	17,318	13,401	259,377	245,140
Realised gains	205,449	262,057	37,848	38,911	11,827	18,113	155,774	205,033
Fair value (losses)/gains	(51,027)	(27,741)	554	1,997	(441)	(565)	(51,140)	(29,173)
Other operating (expenses)/revenue, net	(11,707)	(1,766)	(1,741)	5	323	2,035	(10,289)	(3,806)
Other revenue	471,413	559,194	66,485	73,540	51,727	67,553	353,201	418,101
Gross benefits and claims paid	(1,547,126)	(870,404)	-	-	(836,214)	(211,352)	(710,912)	(659,052)
Claims ceded to reinsurers	691,513	58,628	-	-	681,188	51,865	10,325	6,763
Gross change to contract liabilities	(1,463,534)	(175,684)	-	-	(1,427,078)	(85,740)	(36,456)	(89,944)
Change in contract liabilities ceded to reinsurers	1,447,408	82,357	-	-	1,448,164	85,033	(756)	(2,676)
Net benefits and claims	(871,739)	(905,103)	-	-	(133,940)	(160,194)	(737,799)	(744,909)
Management expenses	(149,015)	(136,912)	(1,713)	(1,358)	(80,942)	(66,160)	(66,360)	(69,394)
Fee and commission expenses	(89,039)	(93,762)	-	-	(46,312)	(58,339)	(42,727)	(35,423)
Interest on subordinated obligation	(10,240)	-	(10,240)	-	-	-	-	-
Taxation of life funds	(27,306)	(27,609)	-	-	-	-	(27,306)	(27,609)
Other expenses	(275,600)	(258,283)	(11,953)	(1,358)	(127,254)	(124,499)	(136,393)	(132,426)
Profit before tax	241,532	289,941	54,532	72,182	82,133	78,540	104,867	139,219
Surplus from:								
- General Funds	-	-	60,215	56,054	(60,215)	(56,054)	-	-
- Life Par Funds	-	-	(763)	(1,294)	-	-	763	1,294
- Life Non Par Funds	-	-	105,630	140,513	-	-	(105,630)	(140,513)
Taxation	(61,925)	(75,010)	(40,007)	(52,524)	(21,918)	(22,486)	-	-
Net profit after tax	179,607	214,931	179,607	214,931	-	-	-	-

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19. INSURANCE FUNDS (CONTD.)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INTERIM STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)	30.6.2014 RM'000	30.6.2013 RM'000 (Restated)
Cash flows from:								
Operating activities	182,009	95,204	28,092	147,712	(86,946)	6,260	240,863	(58,768)
Investing activities	(156,186)	(112,421)	(16,179)	(146,729)	86,854	(10,041)	(226,861)	44,349
Financing activities	(10,466)	-	(10,466)	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	15,357	(17,217)	1,447	983	(92)	(3,781)	14,002	(14,419)
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial period	139,548	159,820	3,348	2,023	81,749	84,506	54,451	73,291
Cash and cash equivalents at end of financial period	154,905	142,603	4,795	3,006	81,657	80,725	68,453	58,872

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20. CONDENSED FINANCIAL STATEMENTS
**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION FOR INVESTMENT-
LINKED FUNDS**

	30.6.2014	31.12.2013
	RM'000	RM'000
<u>Assets:</u>		
Investments	1,840,939	1,696,587
Other receivables	8,794	14,339
Derivative assets	12,437	13,274
Cash and bank balances	1,029	126
Total Assets	1,863,199	1,724,326
<u>Liabilities:</u>		
Deferred tax liabilities	9,318	8,156
Other payables	19,933	61,021
Current tax liabilities	12,338	7,629
Total Liabilities	41,589	76,806
Net asset value of funds (Note 13)	1,821,610	1,647,520

UNAUDITED INTERIM INCOME STATEMENT FOR INVESTMENT-LINKED FUNDS

	30.6.2014	30.6.2013
	RM'000	RM'000
Investment income	32,884	19,519
Realised gains	26,020	30,946
Fair value gains	15,190	12,303
Other operating revenue expenses	(7,222)	(4,020)
Other revenue	66,872	58,748
Management expenses	(24)	(18)
Surplus before tax	66,848	58,730
Taxation	(5,870)	(5,113)
Surplus after tax	60,978	53,617