



ETIQA INSURANCE BERHAD

(9557 T)

(Incorporated in Malaysia)

**Unaudited Interim Financial Statements
for the six months period ended 30 June 2017**

9557 T

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

CONTENTS	PAGES
Unaudited Condensed Statements of Financial Position	1
Unaudited Condensed Income Statement	2
Unaudited Condensed Statement of Comprehensive Income	3
Unaudited Condensed Statement of Changes in Equity	4
Unaudited Condensed Statement of Cash Flows	5 - 6
Notes to the Unaudited Interim Financial Statements	7 - 41

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	30.6.2017 RM'000	31.12.2016 RM'000
Assets:			
Property, plant and equipment		111,186	112,942
Investment properties		783,175	753,885
Prepaid land lease payments		18,813	18,964
Intangible assets		66,556	61,789
Investment in associate		152	152
Investments	12	11,415,084	11,262,921
Financing receivables		239,903	248,266
Reinsurance assets	13	3,277,932	3,315,144
Insurance receivables	14	275,702	264,854
Other receivables	15	213,175	213,025
Derivative assets		5,231	-
Current tax assets		51,981	51,545
Cash and bank balances		185,580	111,722
Total Assets		<u>16,644,470</u>	<u>16,415,209</u>
Equity and liabilities:			
Share capital		169,879	152,151
Reserves	16	2,684,964	2,696,740
Total Equity		<u>2,854,843</u>	<u>2,848,891</u>
Insurance contract liabilities	17	11,705,682	11,780,468
Subordinated obligation		500,000	500,000
Derivative liabilities		47,441	56,603
Deferred tax liabilities, net		616,770	586,137
Insurance payables	18	327,074	299,694
Other payables		412,706	333,296
Interest payable for subordinated obligation		9,955	10,120
Dividend payable		169,999	-
Total Liabilities		<u>13,789,627</u>	<u>13,566,318</u>
Total Equity and Liabilities		<u>16,644,470</u>	<u>16,415,209</u>

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

		1.1.2017	1.1.2016
		to	to
		30.6.2017	30.6.2016
		RM'000	RM'000
Operating revenue		<u>1,618,413</u>	<u>1,603,484</u>
Gross earned premiums	19(a)	1,227,044	1,336,385
Earned premiums ceded to reinsurers	19(b)	(366,970)	(586,682)
Net earned premiums		<u>860,074</u>	<u>749,703</u>
Fee and commission income	20	34,894	40,306
Investment income	21	289,515	258,837
Realised gains		188,082	85,577
Fair value gain		49,078	105,574
Other operating expenses	22	(21,178)	(43,136)
Other revenue		<u>540,391</u>	<u>447,158</u>
Gross benefits and claims paid	23(a)	(1,034,904)	(1,280,060)
Claims ceded to reinsurers	23(b)	156,303	255,510
Gross change to contract liabilities	23(c)	148,948	(449,140)
Change in contract liabilities ceded to reinsurers	23(d)	(134,774)	694,015
Net benefits and claims		<u>(864,427)</u>	<u>(779,675)</u>
Management expenses	24	(139,195)	(136,303)
Fee and commission expenses		(90,304)	(85,683)
Interest on subordinated obligation		(10,244)	(10,254)
Taxation borne by policyholders		(28,549)	(22,922)
Other expenses		<u>(268,292)</u>	<u>(255,162)</u>
Profit before tax		267,746	162,024
Taxation		(66,632)	(35,645)
Net profit for the period		<u>201,114</u>	<u>126,379</u>
Earnings per share (sen) from operations			
Basic		<u>132.18</u>	<u>83.06</u>

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

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Net profit for the period	<u>201,114</u>	<u>126,379</u>
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Change in value of AFS financial assets, net		
- Fair value changes	93,599	(10,514)
- Transfer to profit or loss upon disposal	(156,916)	(17,563)
- Fair value adjustment for AFS financial asset backing Participating Fund	29,781	30,604
Tax effect relating to AFS financial assets	8,109	(420)
	(25,427)	2,107
Currency translation differences	<u>264</u>	<u>(693)</u>
Other comprehensive (loss)/income for the period, net of tax	(25,163)	1,414
Total comprehensive income for the period	<u><u>175,951</u></u>	<u><u>127,793</u></u>

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

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

Note	Share Capital RM'000	Share Premium* RM'000	Non-distributable			Retained Earnings			Total Equity RM'000
			Available-for-Sale Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-Par Fund Surplus RM'000	Retained Profits RM'000	Sub-total Retained Earnings RM'000	
As at 1.1.2017	152,151	17,728	22,225	11,647	14,843	1,719,083	911,214	2,630,297	2,848,891
Net profit for the period	-	-	-	-	-	120,114	81,000	201,114	201,114
Other comprehensive income/ (losses) for the period	-	-	(25,427)	-	264	-	-	-	(25,163)
Total comprehensive income/ (losses) for the period	-	-	(25,427)	-	264	120,114	81,000	201,114	175,951
Transfer to share capital	17,728	(17,728)	-	-	-	-	-	-	-
Transfer from revaluation reserves upon disposal	-	-	-	(234)	-	-	234	234	-
Dividend on ordinary shares	-	-	-	-	-	-	(169,999)	(169,999)	(169,999)
As at 30.6.2017	169,879	-	(3,202)	11,413	15,107	1,839,197	822,449	2,661,646	2,854,843
As at 1.1.2016	152,151	17,728	19,705	11,647	13,565	1,546,328	934,141	2,480,469	2,695,265
Net profit for the period	-	-	-	-	-	55,194	71,185	126,379	126,379
Other comprehensive income/ (losses) for the period	-	-	2,107	-	(693)	-	-	-	1,414
Total comprehensive income/ (losses) for the period	-	-	2,107	-	(693)	55,194	71,185	126,379	127,793
Dividend on ordinary shares	-	-	-	-	-	-	(200,079)	(200,079)	(200,079)
As at 30.6.2016	152,151	17,728	21,812	11,647	12,872	1,601,522	805,247	2,406,769	2,622,979

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	1.1.2017	1.1.2016
	to	to
	30.6.2017	30.6.2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:	267,746	162,024
Adjustments for:		
Taxation borne by policyholders	28,549	22,922
Depreciation of property, plant and equipment	4,805	4,817
Amortisation of intangible assets	3,875	2,994
Fair value gain on financial assets at FVTPL	(49,078)	(105,574)
Amortisation of prepaid land lease payments	152	152
Amortisation of premium on investments	3,363	5,111
Gain on disposal of investment properties	(223)	-
Net loss on foreign exchange	18,050	29,001
Allowance/(write back) of impairment of reinsurance assets	1,495	(1,418)
Write back of impairment of insurance receivables	(1,321)	(2,705)
Bad debt written off	1,075	360
(Write back)/allowance for impairment of other receivables	(71)	109
Allowance of impairment of financing receivables	1,662	280
Net gain on disposal of investments	(187,860)	(58,165)
Gain on disposal of asset held for sale	-	(27,412)
Interest income	(257,255)	(232,712)
Interest expense	10,244	10,254
Allowance of impairment on investments	1,696	19,917
Gross dividend income	(22,358)	(15,923)
Rental income	(21,910)	(24,486)
Loss from operations before changes in operating assets and liabilities	(197,364)	(210,454)
Changes in working capital:		
Decrease/(increase) in reinsurance assets	35,717	(723,525)
Increase in insurance receivables	(10,602)	(99,745)
(Increase)/decrease in other receivables	(1,924)	16,047
Decrease in financing receivables	6,701	5,152
Decrease/(increase) in amount due to related parties	416	(6,408)
Increase in other payables	72,578	103,706
(Decrease)/increase in insurance contract liabilities	(47,094)	457,401
Increase in insurance payables	27,380	138,311
Increase in LAR	67,380	505,098
Interest income received	260,510	217,388
Dividend income received	20,791	18,259
Rental income received	22,191	24,584
Carried forward	256,680	445,814

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTD.)

	1.1.2017	1.1.2016
	to	to
	30.6.2017	30.6.2016
	RM'000	RM'000
Brought forward	256,680	445,814
Currency translation reserves	264	(693)
Tax paid	(54,894)	(53,537)
Net cash generated from operating activities	<u>202,050</u>	<u>391,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	4,292,489	4,875,035
Purchase of investments	(4,369,511)	(4,948,179)
Purchase of property, plant and equipment	(3,051)	(6,425)
Proceeds from disposal of investment properties	1,113	-
Addition to investment properties under constructions ("IPUC")	(30,180)	(15,879)
Proceeds from disposal of intangible assets	34	188
Purchase of intangible assets	(8,676)	(11,644)
Proceeds from disposal of asset held for sale	-	28,090
Net cash used in investing activities	<u>(117,782)</u>	<u>(78,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(200,079)
Interest paid for subordinated obligation	(10,410)	(10,353)
Net cash used in financing activity	<u>(10,410)</u>	<u>(210,432)</u>
Net increase in cash and cash equivalents	73,858	102,338
Cash and cash equivalents at beginning of period	<u>111,722</u>	<u>74,656</u>
Cash and cash equivalents at end of period	<u><u>185,580</u></u>	<u><u>176,994</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	48,927	68,054
Life insurance fund	136,653	108,940
	<u>185,580</u>	<u>176,994</u>

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

The unaudited interim financial statements of the Company for the interim financial period ended 30 June 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting as issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by International Accounting Standards Board ("IASB") and Guidelines/Circulars issued by Bank Negara Malaysia.

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

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

The unaudited interim financial statements 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 2016.

The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2016.

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

The unaudited interim financial statements was approved for issue by the Board of Directors on 23 August 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing these unaudited interim financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 December 2016 except for the application of the requirements of the Companies Act 2016 and the adoption of the following amendments to MFRS and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2017:

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- MFRS 107 *Statement of Cash Flows* - Disclosure Initiative (Amendments to MFRS 107)
- MFRS 112 *Income Taxes* - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)
- Annual Improvements to MFRSs 2014 - 2016 Cycle

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

Companies Act 2016

The unaudited interim financial statements of the Company are prepared in accordance with the requirements of the Companies Act 2016 ("New Act"), which replaced the Companies Act 1965. Amongst the key changes introduced in the New Act which affected the financial statements of the Company upon the commencement of the New Act on 31 January 2017 are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares of the Company will cease to have par or nominal value; and
- (c) the Company's share premium will become part of the share capital.

During the interim financial period ended 30 June 2017, the Company has transferred RM17,727,528 share premium to its share capital pursuant to the transition provisions set out in Section 618(2) of the New Act.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these unaudited interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2016.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

4. AUDITOR'S REPORT ON STATUS OF AUDIT QUALIFICATION

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2016 was not qualified.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period ended 30 June 2017.

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

6. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2017.

7. CHANGES IN ESTIMATES

There were no material changes in estimates for the interim financial period ended 30 June 2017.

8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities for the interim financial period ended 30 June 2017.

9. DIVIDEND

A final single tier dividend of 111.73 sen (2015:131.50 sen) per ordinary share on 151,151,399 ordinary share amounting to RM169,998,758 (2015:RM200,079,090) for the financial year ended 31 December 2016 was approved at the last Annual General Meeting on 3 April 2017.

10. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

11. CHANGES IN THE COMPOSITION OF THE COMPANY

There was no change in the composition of the Company during the interim financial period ended 30 June 2017.

12. INVESTMENTS

	30.6.2017	31.12.2016
	RM'000	RM'000
Malaysian government papers	478,147	482,908
Singapore government securities		
Debt securities	6,947,546	7,133,256
Equity securities	1,816,419	1,600,035
Unit and property trust funds*	155,031	69,844
Structured products	492,489	384,394
Negotiable certificates of deposit ("NCD")	145,233	144,885
Deposits with financial institutions	1,380,219	1,447,599
	<u>11,415,084</u>	<u>11,262,921</u>

*Included in investments in unit trust funds are investments amounting to RM50,029,915 (2016:RM50,039,038) relating to unit trust funds managed by entities within the Malayan Banking Berhad ("MBB") Group.

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

	30.6.2017	31.12.2016
	RM'000	RM'000
Available-for-sale ("AFS")	2,425,303	2,272,705
Fair value through profit and loss ("FVTPL")		
- designated upon initial recognition	6,426,541	6,508,602
- held for trading ("HFT")	1,183,021	1,034,015
Loan and receivables ("LAR")	1,380,219	1,447,599
	<u>11,415,084</u>	<u>11,262,921</u>

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

	30.6.2017	31.12.2016
	RM'000	RM'000
AFS	1,067,514	1,262,420
FVTPL		
- designated upon initial recognition	5,933,922	6,163,060
- HFT	331,438	336,449
	<u>7,332,874</u>	<u>7,761,929</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

12. INVESTMENTS (CONTD.)

	30.6.2017	31.12.2016
	RM'000	RM'000
(a) AFS		
<u>Fair value</u>		
Malaysian government papers	139,897	185,339
Unquoted debt securities in Malaysia	1,163,813	1,115,053
Equity securities:		
Quoted in Malaysia	946,088	863,890
Quoted outside Malaysia	-	6,133
Quoted unit and property trust funds in Malaysia	58,384	50,039
outside Malaysia	64,870	-
	<u>2,373,052</u>	<u>2,220,454</u>
<u>Cost</u>		
Equity securities:		
Unquoted in Malaysia		
Cost	54,539	55,032
Less: Allowance for impairment losses	(2,288)	(2,781)
	<u>52,251</u>	<u>52,251</u>
Total AFS financial assets	<u>2,425,303</u>	<u>2,272,705</u>
(b) FVTPL		
(i) Designated upon initial recognition		
<u>Fair value</u>		
Malaysian government papers	262,997	238,233
Debt securities:		
Unquoted in Malaysia	5,344,370	5,550,585
Unquoted outside Malaysia	183,452	192,141
Structured products	490,489	382,758
Negotiable certificate of deposits	145,233	144,885
	<u>6,426,541</u>	<u>6,508,602</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

12. INVESTMENT (CONTD.)

	30.6.2017	31.12.2016
	RM'000	RM'000
(ii) HFT		
<u>Fair value</u>		
Malaysian government papers	75,253	59,336
Unquoted debt securities in Malaysia	255,911	275,477
Quoted equity securities in Malaysia	818,080	677,761
Unit and property trust funds:		
Quoted in Malaysia	1,744	1,674
Quoted outside Malaysia	30,033	18,131
Structured products	2,000	1,636
	<u>1,183,021</u>	<u>1,034,015</u>
 Total FVTPL financial assets	 <u>7,609,562</u>	 <u>7,542,617</u>
 (c) LAR		
Fixed and call deposits with:		
Licensed banks	1,335,235	1,194,315
Other financial institutions	44,984	253,284
Total LAR financial assets	<u>1,380,219</u>	<u>1,447,599</u>
	 <u>11,415,084</u>	 <u>11,262,921</u>

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

Included in LAR are fixed and call deposits pledged to obtain a banking facility from MBB of RM35,000,000 (31.12.2016: RM35,000,000).

An analysis of the different fair value measurement bases used in the determination of the fair values of Investments are further disclosed in Note 30(a).

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

13. REINSURANCE ASSETS

	30.6.2017	31.12.2016
	RM'000	RM'000
Reinsurers' share of:		
- Life insurance contract liabilities (Note 17)	27,695	25,767
- General insurance contract liabilities (Note 17)	3,252,261	3,289,906
	<u>3,279,956</u>	<u>3,315,673</u>
Allowance for impairment losses	(2,024)	(529)
	<u>3,277,932</u>	<u>3,315,144</u>

14. INSURANCE RECEIVABLES

	30.6.2017	31.12.2016
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	259,227	238,691
Due from reinsurers and cedants	25,071	36,080
	<u>284,298</u>	<u>274,771</u>
Allowance for impairment losses (Note 26)	(8,596)	(9,917)
	<u>275,702</u>	<u>264,854</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 are balances due from related parties amounting to RM17,868,594 (2016: RM14,845,358). The amounts receivable are subject to settlement terms stipulated in the insurance contracts.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

15. OTHER RECEIVABLES

	30.6.2017	31.12.2016
	RM'000	RM'000
Amount due from stockbrokers	8,137	2,256
Share of net assets in Motor Insurance Pool ("MMIP")	59,227	61,669
Amount due from Fund Manager	1,886	1,924
Sundry receivables, deposits and prepayments	11,194	12,453
Allowance for impairment losses (Note 26)	(157)	(157)
	<u>11,037</u>	<u>12,296</u>
Income due and accrued	125,701	127,645
Allowance for impairment losses (Note 26)	(139)	(210)
	<u>125,562</u>	<u>127,435</u>
Amount due from related companies*:		
- Ultimate holding company	189	612
- Other related companies	7,137	6,833
	<u>7,326</u>	<u>7,445</u>
	<u>213,175</u>	<u>213,025</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 RM1,894,329 and RM2,546,534 (2016: RM2,081,879 and RM3,395,302) respectively.

16. RESERVES

	Note	30.6.2017	31.12.2016
		RM'000	RM'000
Non-distributable:			
Share premium	(i)	-	17,728
AFS reserve	(ii)	(3,202)	22,225
Other reserves:			
Revaluation reserve	(iii)	11,413	11,647
Currency translation reserve	(iv)	15,107	14,843
		<u>26,520</u>	<u>26,490</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

16. RESERVES (CONTD.)

	Note	30.6.2017 RM'000	31.12.2016 RM'000
<u>Retained earnings:</u>			
Distributable retained profits	(v)	822,449	911,214
Non-distributable non-par fund surplus	(vi)	1,839,197	1,719,083
		<u>2,661,646</u>	<u>2,630,297</u>
Total reserves		<u>2,684,964</u>	<u>2,696,740</u>

- (i) The share premium reserve relates to amounts paid by shareholders for shares in excess of their par value.
- (ii) The AFS reserve arose from the changes in the fair value of the investment assets of the shareholder and non-Par fund.
- (iii) The revaluation reserve represents the difference between the carrying amount of properties previously classified as self occupied and transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.
- (iv) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Company.
- (v) The entire distributable retained profits may be distributed to the shareholder under the single-tier system.
- (vi) Non-distributable non-par surplus represent the unallocated surplus from the non-Par fund. The unallocated surplus of non-Par fund is only available for distribution to the shareholder 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.

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

17. INSURANCE CONTRACT LIABILITIES

	←----- 30.6.2017 ----->			←----- 31.12.2016 ----->		
	Gross RM'000	Reinsurance RM'000 (Note 13)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 13)	Net RM'000
Life insurance (Note A)	7,904,849	(27,695)	7,877,154	7,915,788	(25,767)	7,890,021
General insurance (Note B)	3,800,833	(3,252,261)	548,572	3,864,680	(3,289,906)	574,774
	11,705,682	(3,279,956)	8,425,726	11,780,468	(3,315,673)	8,464,795

(A) Life Insurance

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

(i) Life insurance contract liabilities

	←----- 30.6.2017 ----->			←----- 31.12.2016 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities	62,926	(3,604)	59,322	64,299	(4,445)	59,854
Actuarial liabilities	5,746,982	(24,091)	5,722,891	5,904,770	(21,322)	5,883,448
Participating fund unallocated surplus	809,059	-	809,059	737,219	-	737,219
Participating fund AFS reserve	17,855	-	17,855	45,546	-	45,546
Net Asset Value ("NAV") attributable to unitholders	1,268,027	-	1,268,027	1,163,954	-	1,163,954
	7,904,849	(27,695)	7,877,154	7,915,788	(25,767)	7,890,021

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

17. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
30.6.2017								
As at 1.1.2017	64,299	5,904,770	737,219	45,546	1,163,954	7,915,788	(25,767)	7,890,021
Net earned premiums	-	-	242,037	-	197,824	439,861	-	439,861
Other revenue	-	-	177,449	-	82,027	259,476	-	259,476
Net benefits and claims	(1,373)	-	(251,718)	-	(169,348)	(422,439)	841	(421,598)
Other expenses	-	-	(34,927)	-	(20)	(34,947)	-	(34,947)
Change in Reserve :								
- Discounting	-	68,839	(15,351)	-	-	53,488	(251)	53,237
- Assumptions	-	12,544	(21,122)	-	-	(8,578)	1,323	(7,255)
- Policy movements	-	(239,171)	(18,981)	-	-	(258,152)	(3,841)	(261,993)
Changes in AFS reserve	-	-	-	(29,781)	-	(29,781)	-	(29,781)
Taxation	-	-	(10,319)	2,090	(6,410)	(14,639)	-	(14,639)
Transferred from shareholder	-	-	4,772	-	-	4,772	-	4,772
As at 30.6.2017	62,926	5,746,982	809,059	17,855	1,268,027	7,904,849	(27,695)	7,877,154

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

17. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

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

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
31.12.2016								
As at 1.1.2016	63,286	5,926,062	653,059	74,343	1,724,124	8,440,874	(22,139)	8,418,735
Net earned premiums	-	-	414,713	-	248,714	663,427	-	663,427
Other revenue	-	-	289,256	-	16,788	306,044	-	306,044
Net benefits and claims	1,013	-	(469,523)	-	(824,465)	(1,292,975)	(1,805)	(1,294,780)
Other expenses	-	-	(61,055)	-	(46)	(61,101)	-	(61,101)
Change in Reserve :								
- Discounting	-	12,912	(22,213)	-	-	(9,301)	240	(9,061)
- Assumptions	-	2,469	(5,029)	-	-	(2,560)	(144)	(2,704)
- Policy Movements	-	(36,673)	(43,328)	-	-	(80,001)	(1,919)	(81,920)
Changes in AFS reserve	-	-	-	(30,875)	-	(30,875)	-	(30,875)
Taxation	-	-	(19,394)	2,078	(1,161)	(18,477)	-	(18,477)
Transferred to shareholder	-	-	733	-	-	733	-	733
As at 31.12.2016	64,299	5,904,770	737,219	45,546	1,163,954	7,915,788	(25,767)	7,890,021

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

17. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance

	←----- 30.6.2017 ----->			←----- 31.12.2016 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities (i)	3,272,073	(2,912,458)	359,615	3,437,773	(3,049,160)	388,613
Premium liabilities (ii)	528,760	(339,803)	188,957	426,907	(240,746)	186,161
	<u>3,800,833</u>	<u>(3,252,261)</u>	<u>548,572</u>	<u>3,864,680</u>	<u>(3,289,906)</u>	<u>574,774</u>

(i) Claims liabilities

	←----- 30.6.2017 ----->			←----- 31.12.2016 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2017/1.1.2016	3,437,773	(3,049,160)	388,613	3,351,905	(2,896,268)	455,637
Claims incurred in the current accident year	305,651	(203,650)	102,001	497,459	(252,395)	245,064
Other movements in claims incurred in prior accident years	(91,794)	73,195	(18,599)	623,801	(641,130)	(17,329)
Claims paid during the period	(259,626)	151,878	(107,748)	(889,062)	636,987	(252,075)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(1,049)	-	(1,049)	(674)	-	(674)
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	(118,882)	115,279	(3,603)	(145,656)	103,646	(42,010)
As at 30.6.2017/31.12.2016	<u>3,272,073</u>	<u>(2,912,458)</u>	<u>359,615</u>	<u>3,437,773</u>	<u>(3,049,160)</u>	<u>388,613</u>

(ii) Premium liabilities

	←----- 30.6.2017 ----->			←----- 31.12.2016 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2017/1.1.2016	426,907	(240,746)	186,161	587,741	(357,180)	230,561
Premiums written in the year	664,279	(454,848)	209,431	1,328,432	(898,708)	429,724
Premiums earned during the year	(562,426)	355,791	(206,635)	(1,489,266)	1,015,142	(474,124)
As at 30.6.2017/31.12.2016	<u>528,760</u>	<u>(339,803)</u>	<u>188,957</u>	<u>426,907</u>	<u>(240,746)</u>	<u>186,161</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

18. INSURANCE PAYABLES

	30.6.2017	31.12.2016
	RM'000	RM'000
Due to agents and intermediaries	57,143	65,544
Due to reinsurers and cedants	269,931	234,150
	<u>327,074</u>	<u>299,694</u>

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

Included in due to agents and intermediaries are balances due to related parties amounting to Nil (2016:RM145,665).

19. NET EARNED PREMIUMS

	1.1.2017	1.1.2016
	to	to
	30.6.2017	30.6.2016
	RM'000	RM'000
(a) Gross Earned Premiums		
Life insurance contracts	664,618	515,415
General insurance contracts	664,279	829,232
Gross premiums	<u>1,328,897</u>	<u>1,344,647</u>
Gross change in premium liabilities	<u>(101,853)</u>	<u>(8,262)</u>
Gross earned premiums	<u>1,227,044</u>	<u>1,336,385</u>
(b) Earned Premiums ceded to reinsurers		
Life insurance contracts	(11,179)	(10,894)
General insurance contracts	<u>(454,848)</u>	<u>(605,299)</u>
Premiums ceded to reinsurers	(466,027)	(616,193)
Change in premium liabilities ceded to reinsurers	<u>99,057</u>	<u>29,511</u>
Earned premiums ceded to reinsurers	<u>(366,970)</u>	<u>(586,682)</u>
Net earned premiums	<u>860,074</u>	<u>749,703</u>

20. FEE AND COMMISSION INCOME

	1.1.2017	1.1.2016
	to	to
	30.6.2017	30.6.2016
	RM'000	RM'000
Reinsurance commission income	32,912	39,738
Reinsurance profit commission income	1,982	568
	<u>34,894</u>	<u>40,306</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

21. INVESTMENT INCOME

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
AFS financial assets		
Interest income	47,076	32,210
Dividend income		
- Quoted in Malaysia	11,834	6,868
- Unit and property trusts	832	948
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	169,560	152,288
(ii) HFT		
Interest income	7,948	7,238
Dividend income		
- Quoted in Malaysia	9,625	7,969
- Unit and property trusts	67	138
LAR		
Interest income	22,946	31,646
Interest income from financing receivables and other loans	9,725	9,330
Rental income	21,910	24,486
Rental expense	(7,546)	(8,539)
Amortisation of premiums	(3,363)	(5,111)
Investment related expenses	(1,099)	(634)
Total Investment Income	289,515	258,837

22. OTHER OPERATING EXPENSES, NET

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Other income		
Reversal of impairment losses on		
- insurance receivables	1,321	2,705
- reinsurance assets	-	1,418
- other receivables	71	-
Sundry income	2,277	2,681
	3,669	6,804

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

22. OTHER OPERATING EXPENSES, NET (CONTD.)

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Other expenses		
Impairment losses on		
- financing receivables	(1,662)	(280)
- reinsurance assets	(1,495)	-
- AFS equity securities	(1,696)	(19,917)
- other receivables	-	(109)
Bad debts written off	(1,075)	(360)
Realised loss on foreign exchange	(4,549)	(11,723)
Unrealised loss on foreign exchange	(13,501)	(17,278)
Sundry expenditure	(869)	(273)
	<u>(24,847)</u>	<u>(49,940)</u>
Total Other Operating Expenses	<u>(21,178)</u>	<u>(43,136)</u>

23. NET BENEFITS AND CLAIMS

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
(a) Gross Benefits and Claims Paid		
Insurance contracts:		
Life	775,278	908,794
General	259,626	371,266
	<u>1,034,904</u>	<u>1,280,060</u>
(b) Claims Ceded to Reinsurers		
Insurance contracts:		
Life	(4,425)	(11,772)
General	(151,878)	(243,738)
	<u>(156,303)</u>	<u>(255,510)</u>
(c) Gross Change in Contract Liabilities		
Insurance contracts:		
Life	16,752	(235,272)
General	(165,700)	684,412
	<u>(148,948)</u>	<u>449,140</u>
(d) Change in Contract Liabilities Ceded to Reinsurers		
Insurance contracts:		
Life	(1,928)	(271)
General	136,702	(693,744)
	<u>134,774</u>	<u>(694,015)</u>
Net Benefits and Claims	<u>864,427</u>	<u>779,675</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

24. MANAGEMENT EXPENSES

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Employee benefits expense (Note(a))	68,550	72,351
Directors' remuneration (Note 25)	529	517
Auditors' remuneration:		
- statutory audit	338	338
- regulatory related services	18	18
- other services	192	11
Amortisation of intangible assets	3,875	2,994
Amortisation of prepaid land lease payments	152	152
Bank charges	4,427	3,957
Depreciation of property, plant and equipment	4,805	4,817
Other management fees	9,755	11,146
Professional fees	1,658	2,245
Auto assist services	1,505	1,310
Assured medical fees	844	416
Rental of offices/premises	1,031	1,024
Electronic data processing expenses	4,381	3,464
Outsourcing services	514	460
Maybank shared services - information technology	4,918	7,651
Postage and stamp duties	1,637	1,218
Printing and stationery	1,394	1,044
Promotional and marketing cost	8,292	4,579
Training expenses	1,576	605
Utilities, assessment and maintenance	4,411	4,405
Entertainment	397	332
Travelling expenses	1,385	1,079
Office facilities expenses	2,285	1,695
Legal fees	446	514
Other expenses	9,880	7,961
Total Management Expenses	139,195	136,303
(a) Employee benefits expense:		
Wages and salaries	51,166	52,243
EPF, CPF and TAP	7,823	8,315
SOCSSO	350	292
Share-based compensation	267	282
Other benefits	8,944	11,219
	68,550	72,351

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

24. MANAGEMENT EXPENSES (CONTD.)

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

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Salary	493	290
EPF and pension scheme	79	46
Other emoluments	22	27
	<u>594</u>	<u>363</u>

25. DIRECTORS' FEES AND REMUNERATION

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
(i) Directors of the company		
Executive:		
Fees	58	-
Allowance	4	-
Non-executive:		
Fees	421	464
Allowance	41	47
Other emoluments	5	6
Total Directors' Fees and Remuneration	<u>529</u>	<u>517</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

25. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

	Allowance RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
2017				
(i) Directors of the Company:				
Executive director				
Puan Nora Abdul Manaf	4	58	-	62
Non-executive directors				
Dato' Johan Ariffin	9	72	-	81
Datuk R Karunakaran	4	79	-	83
Mr. Loh Lee Soon	9	71	1	81
Mr. Frank J.G Van Kempen	7	64	-	71
Mr. Koh Heng Kong	7	64	4	75
Mr. Philippe Pol Arthur Latour	5	71	-	76
	45	479	5	529
2016				
(i) Non-executive directors				
Dato' Mohd Salleh Hj Harun	1	26	-	27
Dato' Johan Ariffin	8	72	-	80
Encik Zainal Abidin Jamal	4	26	-	30
Mr. Gary Lee Crist	4	58	-	62
Datuk R Karunakaran	5	72	-	77
Mr. Loh Lee Soon	8	70	3	81
Mr. Frank J.G Van Kempen	9	76	-	85
Mr. Koh Heng Kong	8	64	3	75
	47	464	6	517

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

26. ALLOWANCE FOR IMPAIRMENT LOSSES

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

	Financing receivables RM'000	Reinsurance assets RM'000 (Note 13)	Insurance receivables RM'000 (Note 14)	Other receivables RM'000 (Note 15)	Total RM'000
30.6.2017					
Individual allowance					
As at 1.1.2017	1,481	529	7,386	367	9,763
Allowance made/(reversed) during the year	1,662	1,495	(1,932)	(71)	1,154
As at 30.6.2017	<u>3,143</u>	<u>2,024</u>	<u>5,454</u>	<u>296</u>	<u>10,917</u>
Collective allowance					
As at 1.1.2017	-	-	2,531	-	2,531
Allowance made during the year	-	-	611	-	611
As at 30.6.2017	<u>-</u>	<u>-</u>	<u>3,142</u>	<u>-</u>	<u>3,142</u>
Total as at 30.6.2017	<u>3,143</u>	<u>2,024</u>	<u>8,596</u>	<u>296</u>	<u>14,059</u>
31.12.2016					
Individual allowance					
As at 1.1.2016	2,252	3,423	10,677	403	16,755
Allowance made/(reversed) during the year	(771)	(2,894)	(3,291)	(36)	(6,992)
As at 31.12.2016	<u>1,481</u>	<u>529</u>	<u>7,386</u>	<u>367</u>	<u>9,763</u>
Collective allowance					
As at 1.1.2016	-	-	8,647	-	8,647
Allowance made during the year	-	-	(6,116)	-	(6,116)
As at 31.12.2016	<u>-</u>	<u>-</u>	<u>2,531</u>	<u>-</u>	<u>2,531</u>
Total as at 31 December 2016	<u>1,481</u>	<u>529</u>	<u>9,917</u>	<u>367</u>	<u>12,294</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

27. 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:

	30.6.2017	31.12.2016
	RM'000	RM'000
Within 1 year	1,183	1,098
After 1 year but not more than 5 years	2,826	2,773
	<u>4,009</u>	<u>3,871</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:

	30.6.2017	31.12.2016
	RM'000	RM'000
Not later than 1 year	33,357	38,335
Later than 1 year but not later than 5 years	44,245	57,079
	<u>77,602</u>	<u>95,414</u>

28. CAPITAL COMMITMENTS

	30.6.2017	31.12.2016
	RM'000	RM'000
Approved and contracted for:		
Investment properties ("IPUC")	160,356	207,107
Property, plant and equipment	5,779	4,967
Intangible assets	3,954	2,374
	<u>170,089</u>	<u>214,448</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

28. CAPITAL COMMITMENTS (CONTD.)

	30.6.2017	31.12.2016
	RM'000	RM'000
Approved and not contracted for:		
Investment properties ("IPUC")	11,519	12,477
Intangible assets	3,868	3,600
	<u>15,387</u>	<u>16,077</u>

29. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

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

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

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

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

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

	1.1.2017	1.1.2016
	to	to
	30.6.2017	30.6.2016
	RM'000	RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	7,948	8,425
Commissions and fees expenses	(43,814)	(31,357)
Claims paid	(613)	(5,529)
Interest income	6,974	10,528
Rental income	1,660	1,904
Net hedging income	163	434
Other expenses	<u>(1,520)</u>	<u>(970)</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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

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

	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Holding company:		
Gross premium income	-	262
Rental income	51	56
Claims paid	(31)	(323)
Shared service cost	(3,222)	(1,756)
Final dividend	<u>(169,999)</u>	<u>(200,079)</u>
Other related companies within the MBB group:		
Gross premium income	10,266	14,329
Premium ceded to reinsurers	(11,614)	(8,799)
Dividend income	716	947
Commissions and fee expenses	(3,580)	(4,420)
Reinsurance commission income	4,820	2,853
Interest income	4,296	5,979
Rental income	6,928	7,147
Other investment income	15	13
Shared service income	39,302	25,289
Maybank shared service - information technology	(4,918)	(3,803)
Claims paid	(1,378)	(268)
Claims recovery from reinsurers	1,006	-
Investment advisory fee	(187)	-
Reimbursement of advisory fee	94	-
Other income	336	-
Other expenses	<u>(33)</u>	<u>(36)</u>
Companies with significant influence over the MBB Group:		
Gross insurance premium income	9	3,081
Claims paid	(8)	(558)
Interest on subordinated obligation	<u>(5,430)</u>	<u>(5,435)</u>
Shareholder of holding company:		
Remuneration of seconded employee	<u>(946)</u>	<u>-</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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

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

	30.6.2017	31.12.2016
	RM'000	RM'000
Ultimate holding company:		
Fixed and call deposits	460,771	383,751
Structured deposits	50,010	50,155
Corporate bonds	9,974	35,421
Derivatives	(47,441)	(56,603)
Bank balances	163,680	82,880
Income due and accrued	801	1,184
Outstanding premiums	10,851	9,868
Claim liabilities	(82,746)	(11,587)
Amount due from ultimate holding company	189	612
Other receivables	1,894	1,932
Other payables	(1,548)	(2,373)
	<u> </u>	<u> </u>
Holding company:		
Amount due from holding company	110	-
Amount due to holding company	(551)	(1,606)
	<u> </u>	<u> </u>
Other related companies within the MBB Group:		
Fixed and call deposits	252,486	291,770
Outstanding premiums	-	14
Income and profits due and accrued	1,746	2,211
Amount due from reinsurers and cedants	7,018	4,923
Reinsurance assets	2,837	1,190
Claims liabilities	(4,959)	(4,959)
Other receivables	-	150
Amount due from other related companies	7,137	6,833
Amount due to other related companies	(1,250)	(23)
	<u> </u>	<u> </u>
Companies with significant influence over the MBB Group:		
Outstanding premiums	-	40
Claims liabilities	(2,038)	(22)
Amount due to agents and intermediaries	-	(146)
Subordinated obligation	(270,276)	(270,364)
	<u> </u>	<u> </u>
Subsidiary:		
Amount due to subsidiary	(1,639)	(1,640)
	<u> </u>	<u> </u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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

(c) Key management personnel compensation

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

	1.1.2017	1.1.2016
	to	to
	30.6.2017	30.6.2016
	RM'000	RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	534	337
- Fees	421	464
- EPF and pension scheme	79	46
- Other emoluments and benefits-in-kind	27	33
	<u>1,061</u>	<u>880</u>

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

	30.6.2017	31.12.2016
	'000	'000
At 1 January	170	155
Vested and exercisable	30	15
Exercised	(59)	-
At 30 June	<u>141</u>	<u>170</u>

The remuneration of other key management personnel, that is the non-executive directors of the Company are as disclosed in Notes 24 and 25 of the interim financial statements.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Company classify its financial instruments measured at fair value according to the Fair Value 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 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 other government bonds, less liquid equities and highly structured 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.

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

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

	<u>Valuation technique used:</u>			Total RM'000
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	
30.6.2017				
<u>Assets</u>				
Investment Properties	-	-	676,304	676,304
AFS financial assets				
Equity securities	946,088	-	-	946,088
Malaysian government papers	-	139,897	-	139,897
Debt securities, structured products and NCDs	-	1,163,813	-	1,163,813
Unit and property trust funds	123,254	-	-	123,254
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	262,997	-	262,997
Debt securities, structured products and NCDs	-	6,163,544	-	6,163,544
(ii) HFT				
Equity securities	818,080	-	-	818,080
Malaysian government papers	-	75,253	-	75,253
Debt securities, structured products and NCDs	-	257,911	-	257,911
Unit and property trust funds	31,777	-	-	31,777
Derivative assets	-	5,231	-	5,231
Total assets	1,919,199	8,068,646	676,304	10,664,149
<u>Liabilities</u>				
Derivative Liabilities	-	(47,441)	-	(47,441)
Total liabilities	-	(47,441)	-	(47,441)

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

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

	<u>Valuation technique used:</u>			Total RM'000
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	
31.12.2016				
<u>Assets</u>				
Investment Properties	-	-	677,194	677,194
AFS financial assets				
Equity securities	870,023	-	-	870,023
Malaysian government papers	-	185,339	-	185,339
Debt securities, structured products and NCDs	-	1,042,388	72,665	1,115,053
Unit and property trust funds	50,039	-	-	50,039
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	238,233	-	238,233
Debt securities, structured products and NCDs	-	6,208,469	61,900	6,270,369
(ii) HFT				
Equity securities	677,761	-	-	677,761
Malaysian government papers	-	59,336	-	59,336
Debt securities, structured products and NCDs	-	277,113	-	277,113
Redeemable loan stock	-	-	-	-
Unit and property trust funds	19,805	-	-	19,805
Total assets	1,617,628	8,010,878	811,759	10,440,265
<u>Liabilities</u>				
Derivative Liabilities	-	(56,603)	-	(56,603)
Total liabilities	-	(56,603)	-	(56,603)

Unquoted equities securities of RM52,251,154 (2016: RM52,251,154) as disclosed in Note 11 and IPUC of RM106,871,442 (2016: RM76,691,493) are not included in the above analysis as they are carried at cost less impairment.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the six month period ended 30 June 2017.

(c) Reconciliation of level 3 fair value hierarchy

	Investment Properties	Financial instruments measured at fair value	
		AFS	Designated at FVTPL
30.6.2017	RM'000	RM'000	RM'000
As at 1.1.2017	677,194	72,665	61,900
Recognised in the income statement:			
Realised gain	-	3,187	2,715
Fair value gain	-	-	(16,662)
Recognised in other comprehensive income as fair value gain/(loss)	-	(19,560)	-
Sales	(890)	(56,292)	(47,953)
As at 30.6.2017	<u>676,304</u>	<u>-</u>	<u>-</u>
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>-</u>	<u>3,187</u>	<u>(13,947)</u>
Total losses recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	<u>-</u>	<u>(19,560)</u>	<u>-</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

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

	Investment Properties	Financial instruments measured at fair value	
		AFS	Designated at FVTPL
31.12.2016	RM'000	RM'000	RM'000
As at 1.1.2016	668,244	73,241	62,391
Recognised in the income statement:			
Realised gain	-	335	285
Fair value gain	8,950	-	326
Recognised in other comprehensive income as fair value gain	-	382	-
Sales	-	(1,293)	(1,102)
As at 31.12.2016	<u>677,194</u>	<u>72,665</u>	<u>61,900</u>
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>8,950</u>	<u>335</u>	<u>611</u>
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	<u>-</u>	<u>382</u>	<u>-</u>

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

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

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

The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold, adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates.

Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

31. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2017 and 31 December 2016, as prescribed under the RBC Framework is provided below:

	30.6.2017	31.12.2016
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	169,879	152,151
Reserves, including retained earnings	4,848,781	4,713,291
	<u>5,018,660</u>	<u>4,865,442</u>
Tier 2 Capital		
Revaluation reserves	11,414	11,647
Available-for-sale reserves	16,256	70,969
Subordinated term debts	500,000	500,000
Currency translation reserve	15,105	14,843
	<u>542,775</u>	<u>597,459</u>
Amount deducted from Capital	<u>(97,036)</u>	<u>(96,789)</u>
Total Capital Available	<u>5,464,399</u>	<u>5,366,112</u>

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

32. 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 and Miscellaneous products.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2017 RM'000	31.12.2016 RM'000	30.6.2017 RM'000	31.12.2016 RM'000	30.6.2017 RM'000	31.12.2016 RM'000
Assets:						
Property, plant and equipment	111,186	112,942	46,863	50,418	64,323	62,524
Investment properties	783,175	753,885	94,454	95,344	688,721	658,541
Prepaid land lease payments	18,813	18,964	7,298	7,359	11,515	11,605
Intangible assets	66,556	61,789	41,373	39,407	25,183	22,382
Investment in associate	152	152	152	152	-	-
Investments	11,415,084	11,262,921	1,994,165	1,968,704	9,420,919	9,294,217
Financing receivables	239,903	248,266	33,643	34,925	206,260	213,341
Reinsurance assets	3,277,932	3,315,144	3,250,237	3,289,377	27,695	25,767
Insurance receivables	275,702	264,854	252,086	244,113	23,616	20,741
Other receivables	213,175	213,025	76,673	76,318	136,502	136,707
Derivative assets	5,231	-	-	-	5,231	-
Current tax assets	51,981	51,545	43,486	43,042	8,495	8,503
Cash and bank balances	185,580	111,722	48,927	38,434	136,653	73,288
Total Assets	16,644,470	16,415,209	5,889,357	5,887,593	10,755,113	10,527,616

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

32. INSURANCE FUNDS (CONTD.)

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

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2017 RM'000	31.12.2016 RM'000	30.6.2017 RM'000	31.12.2016 RM'000	30.6.2017 RM'000	31.12.2016 RM'000
<u>Equity and liabilities:</u>						
Share capital	169,879	152,151	169,879	152,151	-	-
Reserves	2,684,964	2,696,740	2,684,964	2,696,740	-	-
	<u>2,854,843</u>	<u>2,848,891</u>	<u>2,854,843</u>	<u>2,848,891</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities	11,705,682	11,780,468	3,800,833	3,864,680	7,904,849	7,915,788
Subordinated obligation	500,000	500,000	500,000	500,000	-	-
Derivative liabilities	47,441	56,603	-	-	47,441	56,603
Deferred tax liabilities, net	616,770	586,137	587,402	557,963	29,368	28,174
Insurance payables	327,074	299,694	313,030	289,000	14,044	10,694
Other payables ¹	412,706	333,296	(2,346,705)	(2,183,061)	2,759,411	2,516,357
Interest payable for subordinated obligation	9,955	10,120	9,955	10,120	-	-
Dividend payable	169,999	-	169,999	-	-	-
Total Liabilities	<u>13,789,627</u>	<u>13,566,318</u>	<u>3,034,514</u>	<u>3,038,702</u>	<u>10,755,113</u>	<u>10,527,616</u>
Total equity and liabilities	<u>16,644,470</u>	<u>16,415,209</u>	<u>5,889,357</u>	<u>5,887,593</u>	<u>10,755,113</u>	<u>10,527,616</u>
Inter fund balances	-	-	(2,429,475)	(2,264,185)	2,429,475	2,264,185

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.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

32. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INCOME STATEMENT/ REVENUE ACCOUNTS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Operating revenue	1,618,413	1,603,484	42,067	28,237	683,372	846,444	892,974	728,803
Gross earned premiums	1,227,044	1,336,385	-	-	562,426	820,970	664,618	515,415
Earned premiums ceded to reinsurers	(366,970)	(586,682)	-	-	(355,791)	(575,788)	(11,179)	(10,894)
Net earned premiums	860,074	749,703	-	-	206,635	245,182	653,439	504,521
Fee and commission income	34,894	40,306	-	-	34,489	39,738	405	568
Investment income	289,515	258,837	42,067	28,237	19,092	17,212	228,356	213,388
Realised gains	188,082	85,577	19,878	1,484	11,136	31,880	157,068	52,213
Fair value gains/(losses)	49,078	105,574	-	(1,732)	-	5,939	49,078	101,367
Other operating expenses	(21,178)	(43,136)	(1,938)	(6,567)	(416)	(2,447)	(18,824)	(34,122)
Other revenue	540,391	447,158	60,007	21,422	64,301	92,322	416,083	333,414
Gross benefits and claims paid	(1,034,904)	(1,280,060)	-	-	(259,626)	(371,266)	(775,278)	(908,794)
Claims ceded to reinsurers	156,303	255,510	-	-	151,878	243,738	4,425	11,772
Gross change to contract liabilities	148,948	(449,140)	-	-	165,700	(684,412)	(16,752)	235,272
Change in contract liabilities ceded to reinsurers	(134,774)	694,015	-	-	(136,702)	693,744	1,928	271
Net benefits and claims	(864,427)	(779,675)	-	-	(78,750)	(118,196)	(785,677)	(661,479)
Management expenses	(139,195)	(136,303)	(4,443)	(5,363)	(77,993)	(76,166)	(56,759)	(54,774)
Fee and commission expenses	(90,304)	(85,683)	-	-	(43,407)	(52,396)	(46,897)	(33,287)
Interest on subordinated obligation	(10,244)	(10,254)	(10,244)	(10,254)	-	-	-	-
Taxation borne by policyholders	(28,549)	(22,922)	-	-	-	-	(28,549)	(22,922)
Other expenses	(268,292)	(255,162)	(14,687)	(15,617)	(121,400)	(128,562)	(132,205)	(110,983)
	267,746	162,024	45,320	5,805	70,786	90,746	151,640	65,473
Surplus from/(to):								
- General Funds	-	-	53,968	74,678	(53,968)	(74,678)	-	-
- Life Par Funds	-	-	(4,772)	(5,459)	-	-	4,772	5,459
- Life Non-Par Funds	-	-	156,412	70,932	-	-	(156,412)	(70,932)
Profit before tax	267,746	162,024	250,928	145,956	16,818	16,068	-	-
Taxation	(66,632)	(35,645)	(49,814)	(19,577)	(16,818)	(16,068)	-	-
Net profit for the period	201,114	126,379	201,114	126,379	-	-	-	-

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

32. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Cash flows from:								
Operating activities	202,050	391,584	(5,710)	239,864	9,195	(61,775)	198,565	213,495
Investing activities	(117,782)	(78,814)	16,340	(24,448)	1,078	91,891	(135,200)	(146,257)
Financing activities	(10,410)	(210,432)	(10,410)	(210,432)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	73,858	102,338	220	4,984	10,273	30,116	63,365	67,238
Cash and cash equivalents:								
Cash and cash equivalents at beginning of period	111,722	74,656	2,722	2,778	35,712	30,176	73,288	41,702
Cash and cash equivalents at end of period	185,580	176,994	2,942	7,762	45,985	60,292	136,653	108,940