

ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2019

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of General Insurance business.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	RM'000
Net profit for the financial year	<u>76,771</u>

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

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

DIVIDENDS

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

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

Maybank Group ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. It was awarded to the participating Maybank Group employees who fulfill the eligibility criteria. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan ("ESGP Share") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

The maximum number of ordinary shares in Malayan Banking Berhad ("Maybank") available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

DIRECTORS

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

Datuk Mohd Najib Abdullah (Chairman)
Mr. Frank J.G. Van Kempen (Vice Chairman)
Mr. Koh Heng Kong
Datuk Nora Abd. Manaf
Cik Serina Abdul Samad (appointed w.e.f 2 December 2019)
Ms. Daniela Adaggi (appointed w.e.f 2 January 2020)
Dato' Johan Ariffin (ceased w.e.f 1 March 2019)
Mr. Loh Lee Soon (ceased w.e.f 23 December 2019)
Mr. Philippe Pol Arthur Latour (ceased w.e.f 2 January 2020)

Pursuant to Article 101 of the Company's Constitution, the directors appointed under the provisions of the Constitution shall not be subject to retirement by rotation under Section 205 of the Companies Act, 2016.

In accordance with Section 208(4)(a) of the Companies Act 2016, Ms. Daniela Adaggi and Cik Serina Abdul Samad will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Notes 30 and 37 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INDEMNITY

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

Premium paid for D&O policy

Coverage	Premium paid	
	2019 Gross Premium (RM'000)	2018 Gross Premium (RM'000)
Limit of Liability - Group Policy		
RM 250 Million	1,108	1,160

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares		
	As at 1 January 2019	Issued pursuant to DRP*	As at 31 December 2019
Ultimate Holding Company			
Direct interest:			
Datuk Mohd Najib Abdullah	3,882	82	3,964
Datuk Nora Abd Manaf	198	-	198

*DRP = Dividend Reinvestment Plan

The Ultimate Holding Company has awarded the following ESGP shares to the following director:

	Award date	Number of ESGP shares awarded	Vesting year
Datuk Nora Abd. Manaf	14 December 2018	104,000	2021
	30 September 2019	104,000	2022
		<u>208,000</u>	

The ESGP shares will be vested on the ESGP vesting date provided that all the ESGP vesting conditions are met.

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

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance as disclosed from pages 7 to 25.

FINANCIAL HOLDING COMPANY

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

OTHER STATUTORY INFORMATION

- (a) Before the Statement of Financial Position and Income Statement of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts;
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and
 - (iii) to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the prescribed valuation methods specified in Part D of the Risk-Based Capital Framework for Insurer ("RBC Framework") for insurers issued by BNM.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONTD.)

(e) As at the date of this report, there does not exist:

- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

SIGNIFICANT EVENTS

There were no significant events during the financial year that would require disclosure in the financial statements.

SUBSEQUENT EVENTS

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

AUDITORS

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

The auditors' remunerations are as disclosed in Note 29 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 February 2020.



DATUK MOHD NAJIB ABDULLAH



KOH HENG KONG

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

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

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

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

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

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

(a) Board Composition

As at 31 December 2019, the Board consisted of six (6) Directors, comprising of:

- (i) one (1) Executive Director ("ED");
- (ii) two (2) Non-Independent Non-Executive Directors ("NINED"); and
- (iii) three (3) Independent Non-Executive Directors ("INED").

The composition of the Board meets the requirement of having at least half of independent directors as set out in the BNM CG Policy. Datuk Mohd Najib Abdullah, an INED, is the Chairman of the Board, while Datuk Nora Abd. Manaf is the only ED on the Board and the two (2) NINEDs are nominees of Ageas Insurance International N.V. ("Ageas"), a shareholder of MAHB.

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

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

Members of the Board	Designation	Number of Board Meetings attended	%
Datuk Mohd Najib Abdullah (Chairman)	INED	8/8	100
Mr. Philippe Pol Arthur Latour (Vice Chairman)	NINED	6/8	75
Datuk Nora Abd. Manaf	ED	8/8	100
Mr. Frank J.G. Van Kempen	NINED	8/8	100
Mr. Loh Lee Soon	INED ¹	8/8	100
Mr. Koh Heng Kong	INED	8/8	100
Cik Serina Abdul Samad	INED ²	2/2	100
Dato' Johan Ariffin	INED ³	1/1	100

¹ Ceased as Director w.e.f 23 December 2019

² Appointed as member w.e.f 2 December 2019

³ Ceased as Director w.e.f 1 March 2019

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other directorship within the Group
Datuk Mohd Najib Abdullah Independent Non-Executive Director Chairman 59 years of age Malaysian	Banking & Insurance	<ul style="list-style-type: none"> • Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa Life Insurance Berhad
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director Vice-Chairman 60 years of age Belgian	Insurance	<ul style="list-style-type: none"> • Director of Etiqa Life Insurance Berhad • Director of Etiqa Family Takaful Berhad • Director of Etiqa General Takaful Berhad

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other directorship within the Group
Datuk Nora Abd. Manaf Executive Director 55 years of age Malaysian	Corporate Management	• Director of Etiqa Life Insurance Berhad
Mr. Frank J.G. Van Kempen Non-Independent Non-Executive Director 52 years of age Dutch	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa Insurance Pte Ltd (<i>Incorporated in Singapore</i>) • Director of Etiqa Life International (L) Ltd (<i>Incorporated in F.T. Labuan</i>) • Director of Etiqa Offshore Insurance (L) Ltd (<i>Incorporated in F.T. Labuan</i>)
Dato' Johan Ariffin Independent Non-Executive Director 60 years of age Malaysian	Property Development & Banking	• Director of Maybank Ageas Holdings Berhad • Director of Etiqa Life Insurance Berhad • Director of Etiqa Family Takaful Berhad • Director of Etiqa General Takaful Berhad • Chairman of Etiqa Insurance Pte Ltd (<i>Incorporated in Singapore</i>) (<i>Appointed w.e.f 23 April 2019</i>)
Mr. Loh Lee Soon Independent Non-Executive Director 64 years of age Malaysian	Technology & Finance	• Director of Etiqa Life Insurance Berhad

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/ Nationality	Background/ Experience	Other directorship within the Group
Mr. Koh Heng Kong Independent Non- Executive Director 67 years of age Malaysian	Insurance	• Director of Etiqa General Takaful Berhad
Cik Serina Abdul Samad Independent Non- Executive Director 50 years of age Malaysian	Legal	NIL

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("MBB or Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2019 ("FYE 2019").

(b) Roles and Responsibilities of the Board

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities

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

- (i) Nomination and Remuneration Committee;
- (ii) Audit Committee of the Board;
- (iii) Risk Management Committee;
- (iv) Investment Committee;
- (v) Board Oversight Committee of Innovation & Technology; and
- (vi) Board Oversight Committee for Development

(i) Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") consists of a majority of INEDs and chaired by an INED.

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(i) Nomination and Remuneration Committee (contd.)

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

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

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

Members of the NRC	Designation	Number of NRC Meetings attended	%
Dato' Johan Ariffin (<i>Chairman</i>)	INED ¹	7/7	100
Datuk Mohd Najib Abdullah	INED ²	7/7	100
Mr. Gary Lee Crist	NINED ³	7/7	100
Dato' Majid Mohamad	INED ⁴	0/0	N/A

¹ Appointed as Chairman w.e.f 8 February 2019

² INED of MAHB, Etiqa Life Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

³ NINED of MAHB

⁴ Appointed as member w.e.f 1 December 2019. INED of Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(ii) Audit Committee of the Board

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

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

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

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

Members of the ACB	Designation	Number of ACB Meetings attended	%
Mr. Loh Lee Soon (<i>Chairman</i>)	INED	8/8	100
Mr. Gary Lee Crist	NINED ¹	7/8	88
Mr. Koh Heng Kong	INED	8/8	100
Mr. Wong Pakshong Kat Jeong	INED ²	7/8	88
Colin Stewart			

¹ NINED of MAHB

² INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte. Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(iii) Risk Management Committee

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

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

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

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

Members of the RMC	Designation	Number of RMC Meetings attended	%
Mr. Koh Heng Kong (Chairman)	INED	9/9	100
Mr. Gary Lee Crist	NINED ¹	9/9	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED ²	8/9	89

¹ NINED of MAHB

² INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(iv) Investment Committee

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

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

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

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

Members of the IC	Designation	Number of IC Meetings attended	%
Dato' Amirul Feisal Wan Zahir (Chairman)	ED ¹	4/4	100
Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican	ED ²	3/4	75
Mr. Philippe Pol Arthur Latour	NINED	4/4	100

¹ ED of MAHB

² NINED of Etiqa Family Takaful Berhad and ED of Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(v) Board Oversight Committee of Innovation & Technology

The Board Oversight Committee of Innovation & Technology ("BOC IT") consists of four (4) members and chaired by an INED.

The BOC IT is a governance body which carries an oversight function for innovation and technology related activities.

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

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

Members of the BOC IT	Designation	Number of BOC IT Meetings attended	%
Mr. Loh Lee Soon (<i>Chairman</i>)	INED	7/7	100
Encik Kamaludin Ahmad	Member ¹	7/7	100
Encik Mohd Suhail Amar Suresh	Member ²	6/7	86
Mr. Valer Merenyi	Member ³	4/4	100
Mr. Vincent Rocard	Member ⁴	3/3	100

¹ CEO of MAHB

² Group Chief Technology Officer, Maybank

³ Regional Director, Digital Strategy and Solutions, Ageas (Appointed as member w.e.f 1 January 2019; ceased as member w.e.f 30 June 2019)

⁴ Regional Director, Digital Strategy and Solutions, Ageas (Appointed as member w.e.f 1 July 2019)

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(vi) Board Oversight Committee for Development

The Board Oversight Committee for Development ("BOC Development") consists of four (4) members and chaired by an INED.

The BOC Development is a governance body which carries an oversight function for development activities within the Group.

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

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

Members of the BOC Development	Designation	Number of BOC Development Meetings attended	%
Dato' Johan Ariffin (<i>Chairman</i>)	INED	8/8	100
Mr. Loh Lee Soon	INED	7/8	88
Encik Kamaludin Ahmad	Member ¹	7/8	88
Mr. Goh Teong Yam	Member ²	6/7	86

¹ CEO of MAHB

² Head, Group Property, Maybank (Appointed as member w.e.f 28 January 2019)

(d) Directors' Training

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(i) Induction Programme

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

(ii) Training Attended

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

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

Training attended by Directors	DMN ¹	PL ²	NAM ³	FVK ⁴	DJA ⁵	LLS ⁶	KHK ⁷	SAS ⁸
A. In-house Training								
1. Etiqa Board Risk Workshop 2019	√		√				√	
2. Etiqa Strategic Outlook – Business as Usual and Business Unusual	√		√	√	√	√	√	
3. Etiqa Takaful Executive Development ("TED") Program 2019: Future-Ready Leadership and Succession Planning			√					
4. Etiqa TED Program 2019: Forum on Integrity as the Pillar of Shariah Compliance Culture in Islamic Financial Institutions – Moving Forward					√			
5. Etiqa: IFRS 17: Overview and Its Impact to Etiqa	√		√					
6. Maybank: Board Risk Workshop 2019			√					
7. Maybank: EXCO Advanced Media Training Refresher			√					
8. Ageas Partnership Days 2019	√	√		√	√	√	√	
9. Ageas AIC Conference		√						
10. Ageas Finance and Risk Offsite		√						
11. Ageas Management Forum 2019		√		√				
12. Ageas Regional Agency Leaders Forum 2019				√				
13. Ageas Group IT Convention 2019				√				
14. Ageas Asia CRM/AD Conference				√				
15. Ageas Asia CX Metrics Seminar				√				
16. Ageas Bancassurance Conference				√				
B. External Training								
1. BNM: FIDE Module A	√							
2. BNM: FIDE Module B	√		√					
3. BNM: FIDE Forum – Reading The Signs: The Next Financial Crisis and Potential Impact on Asia					√			
4. BNM: FIDE: Understanding the Evolving Cyber security Landscape						√		
5. BNM CRR Communication with Maybank Senior Management			√					
6. BNM: 2018 CRR Communication with Etiqa			√			√		
7. BNM: MyFintech Week 2019						√	√	
8. BNM: FIDE Forum: Artificial Intelligence and it's role in Financial Institutions							√	

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by Directors	DMN ¹	PL ²	NAM ³	FKV ⁴	DJA ⁵	LLS ⁶	KHK ⁷	SAS ⁸
9. BNM: Dialogue with BNM Deputy Governor on draft Risk Management in technology policy							√	
10. Bursa Malaysia Sustainability Advocacy Programme: Workshop on The Recommendations of the Task Force on Climate-Related Financial Disclosures					√			
11. Digital Insurance Agenda Conference				√				
12. The Digital Insurer Webinar: Digital Bancassurance				√				
13. Sime Darby Property Berhad: Economy Update In EU / UK					√			
14. INSEAD International Directors Programme Module 1		√						
15. INSEAD International Directors Programme Module 2		√						
16. INSEAD International Directors Programme Module 3		√						
17. Sime Darby Property Berhad: Training for Directors a. Update on Accounting Standards b. Malaysian Anti-Corruption Commission Act c. Reputation Resilience & Crisis Management : Out of Control but in Command – How to Manage the New Realities of Business					√			
18. PNB Leadership Forum 2019: Governance to Performance	√				√		√	
19. PNB Leadership Forum 2019: Positive Autocracy : A Leadership Model for Industry 4.0							√	
20. Cyber Trends Conference				√				
21. PNB Board Workshop on IT Blueprint					√			
22. PNB: Strategic Assets Allocation (SAA) Workshop					√			
23. PNB Corporate Summit	√						√	
24. 10 th World Congress of Council on Tall Buildings and Urban Habitat					√			
25. World Bank Group: Launch of the World Bank-INCEIF-ISRA Waqf Report								√
26. 2019 Terralex Conference Meeting								√
27. Talk on Legal Aspect of the Telecommunication Industry in Malaysia								√
28. CCM: The Project Master Plan Development Programme ("BLUEPRINT") of the interest Scheme Industry								√

¹ DMN - Datuk Mohd Najib Abdullah

² PL - Mr. Philippe Pol Arthur Latour

³ NAM - Datuk Nora Abd. Manaf

⁴ FVK - Mr. Frank J.G. Van Kempen

⁵ DJA - Dato' Johan Ariffin

⁶ LLS - Mr. Loh Lee Soon

⁷ KHK - Mr. Koh Heng Kong

⁸ SAS - Cik Serina Abdul Samad

(3) INTERNAL CONTROL FRAMEWORK

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

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

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

The remuneration package of NED consists of fees and meeting allowances which are based on a fixed sum as determined by the NRC and the Board, and subsequently approved by the shareholders.

(b) Senior Management Appointment and Performance

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) Non-Executive Directors' Remuneration

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

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

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

The details of Directors' and CEO's remuneration for FYE 2019 are disclosed in the Notes 29 and 30 to the Company's financial statements.

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

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

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

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

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Key elements	Purpose
Benefits	<ul style="list-style-type: none"> Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for a diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich employees, as part of total rewards strategy.
Development and Career Opportunities	<ul style="list-style-type: none"> Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies.

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

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

Key Features of Remuneration Framework that Promotes Alignment between Risk and Rewards

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Key Features of Remuneration Framework that Promotes Alignment between Risk and Rewards (contd.)

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

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

Long-term Incentive Award – Employees’ Share Grant Plan

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

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

Corporate Governance – Remuneration practices

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

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

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

Corporate Governance – Remuneration practices (contd.)

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

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

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

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

Other Material Risk Taker ("OMRT") is defined as:

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

Summary of FYE 2019 compensation outcome for those identified as Senior Officers and OMRT:

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	No. of pax	RM'000	No. of pax	RM
Material Risk Taker ("Senior Officers")				
Cash-based	1	645	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other		Nil		
Other Material Risk Taker ("OMRT")				
Cash-based	5	1,816	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other		Nil		

Notes: The figures above exclude the Long-Term Incentive Award (combination of cash and shares) awarded in 2019 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

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

We, Datuk Mohd Najib Abdullah and Koh Heng Kong, being two of the directors of Etiqa General Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 153 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 February 2020.



DATUK MOHD NAJIB ABDULLAH



KOH HENG KONG

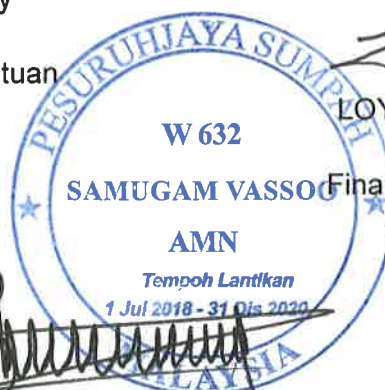
STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016


I, Loy Teck Wooi, being the officer primarily responsible for the financial management of Etiqa General Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 153 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed LOY TECK WOOL
at Kuala Lumpur in Wilayah Persekutuan
on 12 February 2020

Before me,

Commissioner for Oaths




LOY TECK WOOL
(MIA 29486)
Financial Controller

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

**Independent auditors' report to the member of
Etiga General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)**

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiga General Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2019, and summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Independent auditors' report to the member of
Etika General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

**Independent auditors' report to the member of
Etiqua General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)**

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

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

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

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

Independent auditors' report to the member of
Etika General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young PLT

202006000003 (LLP0022760-LCA) & AF 0039

Chartered Accountants

Kuala Lumpur, Malaysia
12 February 2020



Brandon Bruce Sta Maria

No. 02937/09/2021 J

Chartered Accountant

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Property, plant and equipment	3	15,914	9,188
Investment properties	4	283,920	270,757
Right-of-use assets	6	6,428	-
Intangible assets	7	36,703	41,369
Investment in subsidiary	8	* -	* -
Investment in associate	9	152	152
Investments	10	1,398,755	1,107,516
Financing receivables	11	26,552	28,703
Reinsurance assets	12	2,953,227	2,703,348
Insurance receivables	13	320,600	346,730
Other assets	14	70,204	90,856
Derivative assets	15	-	82
Current tax assets		90,019	73,949
Cash and bank balances		9,443	64,652
Total Assets		5,211,917	4,737,302
Equity			
Share capital	16	229,879	229,879
Reserves	17	833,699	729,322
Total Equity		1,063,578	959,201
Liabilities			
Insurance contract liabilities	18	3,596,928	3,243,212
Deferred tax liabilities, net	19	42,742	34,349
Insurance payables	20	424,248	403,846
Other liabilities	21	81,682	96,694
Current tax liabilities		2,739	-
Total Liabilities		4,148,339	3,778,101
Total Equity and Liabilities		5,211,917	4,737,302

* Representing RM 1

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Operating revenue	22	<u>1,365,603</u>	<u>1,274,658</u>
Gross earned premiums	23(a)	1,264,264	1,148,396
Earned premiums ceded to reinsurers	23(b)	<u>(764,324)</u>	<u>(722,915)</u>
Net earned premiums	23	<u>499,940</u>	<u>425,481</u>
Fee and commission income	24	71,508	61,481
Investment income	25	60,378	59,581
Realised gains/(losses)	26	1,340	(11,325)
Fair value gains	27	16,201	19,837
Other operating income, net	28	<u>2,074</u>	<u>20,995</u>
Other revenue		<u>151,501</u>	<u>150,569</u>
Gross benefits and claims paid		(647,853)	(520,768)
Claims ceded to reinsurers		407,486	294,449
Gross change in contract liabilities		(312,755)	(54,011)
Change in contract liabilities ceded to reinsurers		<u>256,371</u>	<u>61,383</u>
Net benefits and claims		<u>(296,751)</u>	<u>(218,947)</u>
Management expenses	29	(154,117)	(139,541)
Fee and commission expenses	31	(95,688)	(85,956)
Interest on subordinated obligation		-	(10,532)
Other expenses		<u>(249,805)</u>	<u>(236,029)</u>
Profit before tax		104,885	121,074
Taxation	32	<u>(28,114)</u>	<u>4,554</u>
Net profit for the year		<u>76,771</u>	<u>125,628</u>
Basic and diluted earnings per share (sen)	33	36.19	69.00

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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM'000	2018 RM'000
Net profit for the year		<u>76,771</u>	<u>125,628</u>
Other comprehensive income:			
Item that may not be subsequently reclassified to income statement			
Revaluation reserves			
- Revaluation of property, plant and equipment	3	-	62,678
- Revaluation of prepaid land lease payment	5	-	36,798
Tax effect relating to revaluation reserves	32	-	(23,875)
		-	75,601
Item that may be subsequently reclassified to income statement			
Change in fair value of financial assets at Fair Value through Other Comprehensive Income ("FVOCI")			
- Fair value changes		43,024	8,092
- Transfer to profit or loss upon disposal	26	(6,822)	(1,521)
Tax effect relating to FVOCI financial assets	32	(8,689)	(1,577)
		27,513	4,994
Currency translation differences		<u>93</u>	<u>229</u>
Other comprehensive income, net of tax		<u>27,606</u>	<u>80,824</u>
Total comprehensive income for the year		<u>104,377</u>	<u>206,452</u>

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

ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	<----- Non-distributable ----->						
	Share Capital RM'000	FVOCI Reserves RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Distributable Retained Profits RM'000	Reserves of disposal group held for sale RM'000	Total Equity RM'000
At 1 January 2019	229,879	1,197	76,391	13,876	637,858	-	959,201
Net profit for the year	-	-	-	-	76,771	-	76,771
Other comprehensive income for the year	-	27,513	-	93	-	-	27,606
Total comprehensive income for the year	-	27,513	-	93	76,771	-	104,377
At 31 December 2019	229,879	28,710	76,391	13,969	714,629	-	1,063,578
At 1 January 2018	169,879	(3,797)	1,073	13,647	511,946	1,766,198	2,458,946
Transfer to ELIB (Note 45)	-	-	-	-	-	(1,766,198)	(1,766,198)
Net profit for the year	-	-	-	-	125,628	-	125,628
Other comprehensive income for the year	-	4,994	75,602	229	-	-	80,825
Total comprehensive income for the year	-	4,994	75,602	229	125,628	-	206,453
Issuance of new shares (Note 16)	60,000	-	-	-	-	-	60,000
Transfer from revaluation reserves upon disposal	-	-	(284)	-	284	-	-
At 31 December 2018	229,879	1,197	76,391	13,876	637,858	-	959,201

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		104,885	121,074
Adjustments for:			
Depreciation of property, plant and equipment	29	2,600	2,851
Amortisation of intangible assets	29	6,032	5,690
Depreciation of right-of-use assets	29	2,271	-
Interest on lease liabilities	29	246	-
Fair value gains on financial assets at FVTPL	27	(3,038)	(1,859)
Fair value gains on investment properties	27	(13,163)	(17,978)
(Accretion)/amortisation of premium on investments	25	(353)	982
Gain on disposal of property, plant and equipment	26	-	(4,001)
Loss on disposal of investment properties	26	-	183
Net (gain)/loss on foreign exchange	28	(2)	755
Allowance for impairment losses on reinsurance asset	28	9,192	718
Allowance for impairment/(reversal of impairment)			
losses on insurance receivables	28	3,125	(6,654)
Reversal of impairment losses on other receivables	28	(2)	-
(Reversal of impairment)/allowance for impairment			
losses on financing receivables	28	(362)	137
(Gain)/loss on disposal of investments	26	(1,340)	15,143
Interest income	25	(47,623)	(51,917)
Interest expense	25	-	10,532
Allowance for impairment losses on investments	28	30	60
Gross dividend income	25	(1,737)	(1,754)
Rental income	25	(13,123)	(11,517)
Operating cash flows before working capital charges		47,638	62,445
Changes in working capital:			
Increase in reinsurance assets		(259,072)	(95,591)
Decrease in insurance receivables		23,005	42,935
Decrease in other assets		20,957	170,784
Decrease in financing receivables		2,513	1,816
Increase in amounts due from related parties		(6,061)	(3,126)
(Increase)/decrease in other liabilities		(16,017)	28,954
Increase in insurance contract liabilities		353,716	120,692
Increase in insurance payables		20,402	85,464
Carried forward		187,081	414,373

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		187,081	414,373
(Increase)/decrease in placement of deposits with financial institutions		(78,921)	128,878
Interest income received		46,237	47,557
Dividend received		1,714	1,791
Rental income received		13,174	11,228
Currency translation reserve		93	229
Cash generated from operations		169,378	604,056
Tax paid		(41,741)	(65,483)
Net cash flows generated from operating activities		127,637	538,573
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments and derivatives		960,797	1,358,665
Purchase of investments		(1,130,955)	(1,404,168)
Proceeds from disposal of property, plant and equipment		1	7,002
Proceeds from disposal of investment properties		-	338
Proceeds from disposal of intangible assets		-	20
Purchase of property, plant and equipment	3	(9,327)	(2,541)
Purchase of intangible assets	7	(1,366)	(6,193)
Net cash used in investing activities		(180,850)	(46,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of new shares	16	-	60,000
Redemption of subordinated obligation		-	(500,000)
Interest paid on subordinated obligation		-	(20,650)
Payment of lease liabilities		(1,996)	-
Net cash used in financing activities		(1,996)	(460,650)
Net (decrease)/increase in cash and cash equivalents		(55,209)	31,046
Cash and cash equivalents at beginning of year		64,652	33,606
Cash and cash equivalents at end of year		9,443	64,652
Cash and cash equivalents comprise:			
Cash and bank balances of:			
General insurance fund		49	4,387
Shareholder's fund		9,394	60,265
		9,443	64,652

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No.1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

The immediate and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") and Malayan Banking Berhad ("Maybank") respectively, both of which are incorporated in Malaysia. Maybank is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is the underwriting of general insurance business.

There were no significant changes in the nature of the principal activity during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 February 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Statement of compliance

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

The Company has adopted those MFRSs, amendments to MFRSs and Interpretation effective for the annual periods beginning on or after 1 January 2019 as disclosed in Note 2.3.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation (contd.)

(d) Use of estimates and judgements

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

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

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

(a) Insurance contract liabilities

Note 2.2(xiv) describes the measurement and recognition of the general insurance contract liabilities, including a general explanation on the estimation methods used. Details of the key assumptions applied and a sensitivity analysis of the carrying amount of the general insurance contract liabilities to changes in assumptions are disclosed in Note 39 to the financial statements.

(b) Valuation of investment properties, as described in note 2.2(iii).

(c) Impairment losses on financial assets, as described in note 2.2(viii).

2.2 Summary of significant accounting policies

(i) Associates

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

In the Company's separate financial statements, investments in associates are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(viii). On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Investment properties

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

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

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

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

(iv) Leases

(a) Classification

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Leases (contd.)

(a) Classification (contd.)

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

(b) Finance leases - the Company as lessee

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

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

(c) Operating leases - the Company as lessor

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

(d) Operating leases - the Company as lessee

Before 1 January 2019

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Leases (contd.)

(d) Operating leases - the Company as lessee (contd.)

Beginning 1 January 2019

Upon implementation of MFRS 16 *Leases* on 1 January 2019, the lessees are required to perform the right-of-use assessment to all the leases whether it shall be recorded as either under a single on-balance sheet model or recognition to profit or loss. The lease accounting is as follow:

(a) Right-of-use ("ROU") assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Leases (contd.)

(d) Operating leases - the Company as lessee (contd.)

Beginning 1 January 2019 (contd.)

(b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance, fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(c) Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Leases (contd.)

(d) Operating leases - the Company as lessee (contd.)

Beginning 1 January 2019 (contd.)

The Company has applied the following practical expedients permitted by the standard to leases:-

(i) Leases with a lease term of 12 months or shorter;

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date that does not have renewable clause options and purchase options.

(ii) Leases for low-value assets which is less than RM10,000; and

The Company also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value and are recognised as expense in profit and loss on a straight-line basis over the lease term.

(iii) Leases with variable lease payments

Variable lease payments of the Company do not contain any component of fixed rent in the clauses of the contract.

The Company is to recognise the lease payments, when incurred, in profit or loss for the leases that do not meet the ROU assessment and for which it has applied the exemptions permitted by the standard.

(v) Intangible assets

Intangible assets include software development costs and computer software. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite life are amortised on a straight-line basis over the estimated economic useful life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Intangible assets (contd.)

Amortisation is charged to the profit or loss. Work-in-progress are not depreciated as these assets are not available for use.

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

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

(a) Software development costs

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

(b) Computer software

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

(vi) Financial assets

(a) Date of recognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(b) Initial and subsequent measurement

The Company determines the classification of financial assets at initial recognition depends on their business model for managing the financial assets and the contractual cash flows characteristic as below:

(i) Business model assessment

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(b) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

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

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

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

(c) The Solely Payments of Principal and Interest ("SPPI") test

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

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

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

(d) Classification of financial assets

The categories include financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost ("AC") financial assets.

(i) Financial assets at FVTPL

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(d) Classification of financial assets (contd.)

(i) Financial assets at FVTPL (contd.)

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

(ii) Financial assets at FVOCI

Financial assets in this category are those financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.

Equity instruments are normally measured at FVTPL. However, for nontraded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI i.e. without recycling profit or loss upon derecognition.

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

(iii) Financial assets at AC

Financial assets in this category are those financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(d) Classification of financial assets (contd.)

(iii) Financial assets at AC (contd.)

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

(e) Derecognition

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

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

(vii) Fair value of financial assets

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

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instrument that do not have quoted market prices in an active market, the fair value are measured based on the net asset method by referencing to the annual financial statement of the entity that the Company invested in.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Fair value of financial assets (contd.)

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

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

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

(viii) Impairment

(a) Financial assets

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

The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments, financial guarantee contracts, which will include loans, advances, financing, insurance receivables, debts instruments and deposits held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(a) Financial assets (contd.)

(i) Determining a significant increase in credit risk since initial recognition

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

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

(ii) Forward-looking information and ECL measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(a) Financial assets (contd.)

Loans, advances and financing

The ECL on loan portfolio for the Company is computed using a risk sensitive model, leveraging the ECL coverage ratio calculated for comparable portfolios from Maybank for Stage 1 and Stage 2 and the individual assessment is applied for Stage 3.

Insurance receivables

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

Financial assets at FVOCI and AC

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(b) Non-financial assets

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

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

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

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

(ix) Reinsurance assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Reinsurance assets (contd.)

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

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

(x) Insurance receivables

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

The impairment of insurance receivables is described in Note 2.2(viii).

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

(xi) Cash and cash equivalents

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

(xii) Equity instruments

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

(xiii) Product classification

The Company issues contracts that contain insurance risk.

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) General Insurance Contract Liabilities

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

(a) Claim liabilities

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

Liabilities for outstanding claims are recognised upon notification by policyholders or claimants.

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

(b) Premium liabilities

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

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of businesses or the best estimate value of the reinsurer's unexpired risk reserves ("URR") with PRAD at the end of the financial year as prescribed by BNM.

• Unearned premium reserves ("UPR")

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

- 25% method for marine cargo and aviation cargo, and transit business;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) General Insurance Contract Liabilities (contd.)

(b) Premium liabilities (contd.)

- **Unearned premium reserves ("UPR") (contd.)**

- all other classes of general business, using time-apportionment basis over the period of the risks, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM.

- **Unexpired risk reserves ("URR")**

The URR is prospective estimate of the expected future payments arising from future events insured under policies in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds. URR is estimated via an actuarial valuation performed by the Appointed Actuary. URR is not discounted.

(xv) Financial liabilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xv) Financial liabilities (contd.)

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

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

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

(xvi) Insurance payables

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

(xvii) Offsetting of financial assets and financial liabilities

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

(xviii) Premium income

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xviii) Premium income (contd.)

- Inward facultative reinsurance premiums are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies, following the individual risks' inception dates;
- Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers operators; and
- Outward reinsurance premiums are recognised in the same financial year as the original policies to which the reinsurance relates.

(xix) Claims expenses

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

(xx) Commission expenses and acquisition costs

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

(xxi) Other revenue recognition

Revenue from contract with customers

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxi) Other revenue recognition (contd.)

Other revenue

(a) Interest income

Interest income is recognised using the effective interest/yield method.

(b) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(c) Rental income

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

(d) Fee and commission income

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

(xxii) Employee benefits

(a) Short-term benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits (contd.)

(b) Other long term employee benefits

Other long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed in 2.2(xxii)(c), except that the remeasurements of the net defined benefit liability or asset are recognised immediately in the profit or loss.

(c) Defined contribution plans

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss when incurred.

(d) Share-based compensation

(1) Employees' Share Grant Plan ("ESGP shares")

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

The total fair value of ESGP shares granted to eligible employees is recognised as an employee cost with a corresponding increase in amount due to Maybank. The fair value of ESGP shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP shares were granted. Upon vesting of ESGP shares, Maybank will recognise the impact of the actual numbers of ESGP shares vested as compared to original estimates.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits (contd.)

(d) Share-based compensation (contd.)

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

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

(xxiii) Foreign currencies

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Foreign currencies (contd.)

(b) Foreign currency transactions (contd.)

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

(c) Foreign operations

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

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

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

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

	31 December 2019	31 December 2018
Brunei Dollar	<u>3.04</u>	<u>3.03</u>

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiv) Income tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and included in profit or loss, except when it arises from a transaction which is recognised directly in equity/insurance contract liabilities.

2.3 Amendments to MFRS

At the beginning of the current financial year, the Company adopted the following MFRS, amendments to MFRSs and Interpretation which are mandatory for the financial periods beginning on or after 1 January 2019:

MFRS 9 *Prepayment Features with Negative Compensation* (Amendments to MFRS 9)

MFRS 16 *Leases*

MFRS 119 *Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)

MFRS 128 *Long-term Interests in Associates and Joint Ventures*

(Amendments to MFRS 128)

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Annual Improvements to MFRSs 2015-2017 Cycle:

(i) Amendments to MFRS 3 *Business Combinations* and MFRS 11 *Joint Arrangements*

(ii) Amendments to MFRS 112 *Income Tax*

(iii) Amendments to MFRS 123 *Borrowing Costs*

The adoption of these MFRS, amendments to MFRSs and Interpretation do not have any significant financial impacts on the Company. The effect of adopting MFRS 16 is described in Note 2.5.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and amendments to standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3 - <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 - <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 7, MFRS 9, and MFRS 139 - <i>Interest Rate Benchmark Reform</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
MFRS 10 <i>Consolidated Financial Statements</i> (Amendments to MFRS 10) and MFRS 128 <i>Investment in Associates and Joint Ventures</i> (Amendments to MFRS 128): <i>Sale or Contribution of Assets between an investor and its Associate or Joint venture</i>	To be announced by MASB

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

MFRS 17 *Insurance Contracts*

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period);

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and amendments to standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit or loss, but are recognised directly on the statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

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

(i) Modified retrospective approach

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

(ii) Fair value approach

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and amendments to standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

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

The Company as part of the Group, has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business sectors to study the implications and to evaluate the potential impact of adopting this standard on the required effective date. The Company believes that it is achieving the relevant milestones in adopting this new standard.

2.5 Changes in accounting policies - MFRS 16 *Leases*

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases — Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessee to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessor will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117 and IC interpretation 4 at the date of initial application. Therefore, MFRS 16 did not have any significant impact for leases where the Company is the lessor.

Leases previously classified as operating lease - The Company as lessee

On 1 January 2019, the Company applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restating prior year comparative information which remain as previously reported under MFRS 117 and related interpretations. The Company also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application. The Company has elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there was no impact to the retained earnings brought forward as at 1 January 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 16 Leases (contd.)

Leases previously classified as operating lease - The Company as lessee (contd.)

The Company elected the following transition practical expedients on a lease-by-lease basis for measurement purposes on first-time application of the standard:

- (1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;
- (3) Initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application; and
- (4) The Company used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Financial effects arising from the adoption of MFRS 16 Leases

- (i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position items of the Company:

A reconciliation of the operating lease commitments as at 31 December 2018 to the lease liabilities recognised in the statement of financial position as at 1 January 2019 is shown as below:

Reconciliation of lease liabilities:

	RM'000
Operating lease commitments as at 31 December 2018	13,700
Current leases with a lease term of 12 months or less (short-term leases)	(22)
Leases of low-value-assets (low-value leases)	(78)
Out of scope	(11,152)
Operating lease commitments as at 1 January 2019 (gross, without discounting)	2,448
Reasonably certain extension or termination options	5,182
Operating lease commitments as at 1 January 2019 (gross, without discounting)	7,630
Effect of discounting at the incremental borrowing rate as of 1 January 2019	(670)
Lease liabilities due to initial application of MFRS 16 as at 1 January 2019 (net, with discounting)	6,960

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 16 Leases (contd.)

Financial effects arising from the adoption of MFRS 16 Leases (contd.)

- (ii) The quantitative impacts of the first-time application of MFRS 16 as of 31 December 2018/1 January 2019 on the Statement of Financial Position are shown below:

	MFRS 117	Modified retrospective application adjustments to MFRS 16	MFRS 16
	31 December 2018	1 January 2019	1 January 2019
	RM'000	RM'000	RM'000
ASSETS			
Right-of-use assets	-	8,210	8,210
LIABILITIES			
Other liabilities - lease liabilities	-	6,960	6,960
Other liabilities - provision for restoration costs	-	1,250	1,250

- (iii) The impact of the application of MFRS 16 to the Income Statement for the year ended 31 December 2019 are shown below:

	RM'000
Depreciation of right-of-use assets	2,271
Interest on lease liabilities	247
Termination expenses	33

The adjustments from the initial application of MFRS 16 reflect the depreciation of ROU assets, ROU interest expense from the compounding of lease liabilities for leases categorised as operating leases until 31 December 2019 and any related termination expenses.

- (iv) The impact of the application of MFRS 16 on the Statement of Cash Flows for the period ended 31 December 2019 are shown below:

	RM'000
Cash flows from operating activities	
Depreciation of right-of-use assets	2,271
Interest on lease liabilities	246
Cash flows from financing activities	
- Payment of lease liabilities	1,996

3. PROPERTY, PLANT AND EQUIPMENT

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
2019							
Cost							
At 1 January 2019	777	23,305	10,131	5,774	378	-	40,365
Additions	-	1,648	941	32	-	6,706	9,327
Disposal	-	-	(113)	-	-	-	(113)
At 31 December 2019	777	24,953	10,959	5,806	378	6,706	49,579
Accumulated Depreciation							
As at 1 January 2019	347	21,351	6,409	2,711	359	-	31,177
Depreciation charge for the year	-	804	1,216	562	18	-	2,600
Disposal	-	-	(112)	-	-	-	(112)
At 31 December 2019	347	22,155	7,513	3,273	377	-	33,665
Net Book Value							
at 31 December 2019	430	2,798	3,446	2,533	1	6,706	15,914

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Properties #	Furniture, fittings, equipment and renovations	Computers and peripherals	Electrical and security equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018						
Cost						
At 1 January 2018	60,236	22,413	8,725	5,708	378	97,460
Additions	-	892	1,583	66	-	2,541
Disposal	(6,529)	-	(177)	-	-	(6,706)
Revaluation before reclassification	62,679	-	-	-	-	62,679
Reclassification to Investment Properties (Note 4)	(115,609)	-	-	-	-	(115,609)
At 31 December 2018	777	23,305	10,131	5,774	378	40,365
Accumulated Depreciation						
At 1 January 2018	22,849	20,484	5,230	2,152	289	51,004
Depreciation charge for the year	-	867	1,355	559	70	2,851
Disposal	(3,528)	-	(176)	-	-	(3,704)
Reclassification to Investment Properties (Note 4)	(18,974)	-	-	-	-	(18,974)
At 31 December 2018	347	21,351	6,409	2,711	359	31,177
Net Book Value						
at 31 December 2019	430	1,954	3,722	3,063	19	9,188

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2019				
Cost				
At 1 January 2019 /				
31 December 2019	367	410	-	777
Accumulated Depreciation				
At 1 January 2019 /				
31 December 2019	-	347	-	347
Net Book Value				
at 31 December 2019	367	63	-	430
2018				
Cost				
At 1 January 2018	2,820	6,705	50,711	60,236
Disposal	(1,791)	(4,737)	-	(6,528)
Revaluation before reclassification	1,598	1,571	59,509	62,678
Reclassification to Investment				-
Properties (Note 4)	(2,260)	(3,129)	(110,220)	(115,609)
At 31 December 2018	367	410	-	777
Accumulated Depreciation				
At 1 January 2018	692	4,301	17,856	22,849
Disposal	(692)	(2,836)	-	(3,528)
Reclassification to Investment				
Properties (Note 4)	-	(1,118)	(17,856)	(18,974)
At 31 December 2018	-	347	-	347
Net Book Value				
at 31 December 2018	367	63	-	430

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Total
	<----- At valuation ----->		
	RM'000	RM'000	RM'000
2019			
At 1 January 2019	129,897	140,860	270,757
Fair value adjustment (Note 27)	8,993	4,170	13,163
At 31 December 2019	<u>138,890</u>	<u>145,030</u>	<u>283,920</u>
2018			
At 1 January 2018	110,364	2,370	112,734
Reclassification from Property, Plant and Equipment (Note 3)	4,270	92,365	96,635
Reclassification from Prepaid Land Lease Payments (Note 5)	-	43,930	43,930
Disposal	-	(520)	(520)
Fair value adjustment (Note 27)	<u>15,263</u>	<u>2,715</u>	<u>17,978</u>
At 31 December 2018	<u>129,897</u>	<u>140,860</u>	<u>270,757</u>

The rental income and operating expenses in relation to the investment properties are as disclosed below:

	2019 RM'000	2018 RM'000
Rental income	11,663	11,478
Operating expenses	<u>(2,258)</u>	<u>(4,342)</u>
	<u>9,405</u>	<u>7,136</u>

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

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

The fair value of investment properties is classified under Level 3 of the fair value hierarchy as disclosed under Notes 2.2(iii) and 43(c). The fair value gains are recognised in the statement of comprehensive income.

5. PREPAID LAND LEASE PAYMENTS

	2019	2018
	RM'000	RM'000
Cost		
At 1 January 2019/ 1 January 2018	-	9,521
Revaluation before reclassification	-	36,798
Reclassification to Investment Properties (Note 4)	-	(46,319)
At 31 December 2019/ 31 December 2018	<u>-</u>	<u>-</u>
Accumulated amortisation		
At 1 January 2019/ 1 January 2018	-	2,389
Reclassification to Investment Properties (Note 4)	-	(2,389)
At 31 December 2019/ 31 December 2018	<u>-</u>	<u>-</u>
Net Book Value		
at 31 December 2019/ 31 December 2018	<u>-</u>	<u>-</u>

6. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The movement of right-of-use assets is disclosed as follows:

	Premises RM'000	Office equipment RM'000	Total RM'000
2019			
Cost			
At 1 January 2019	-	-	-
Effect of adopting MFRS 16	8,158	52	8,210
At 1 January 2019, restated	8,158	52	8,210
Additions	246	-	246
Contract Modifications	425	-	425
Terminations	(136)	-	(136)
Adjustments	(104)	-	(104)
At 31 December 2019	8,589	52	8,641
Accumulated Depreciation			
At 1 January 2019	-	-	-
Depreciation charge for the year	2,248	23	2,271
Terminations	(58)	-	(58)
At 31 December 2019	2,190	23	2,213
Net Book Value			
at 31 December 2019	6,399	29	6,428

The movement of lease liabilities is disclosed as follows:

	Premises RM'000	Office equipment RM'000	Total RM'000
2019			
Lease liabilities			
At 1 January 2019	-	-	-
Effect of adopting MFRS 16	6,908	52	6,960
At 1 January 2019, restated	6,908	52	6,960
Additions	237	-	237
Accretion of interest	245	2	247
Contract Modifications	425	-	425
Terminations	(111)	-	(111)
Settlement	(1,972)	(24)	(1,996)
Adjustments	(100)	-	(100)
At 31 December 2019 (Note 21)	5,632	30	5,662
Lease liabilities by remaining maturity:			
Less than 12 months	2,223	22	2,245
More than 12 months	3,409	8	3,417
Total	5,632	30	5,662

7. INTANGIBLE ASSETS

	Computer Software RM'000	Total RM'000
2019		
Cost		
At 1 January 2019	64,390	64,390
Additions	1,366	1,366
At 31 December 2019	<u>65,756</u>	<u>65,756</u>
Accumulated Amortisation		
At 1 January 2019	23,021	23,021
Amortisation charge for the year	6,032	6,032
At 31 December 2019	<u>29,053</u>	<u>29,053</u>
Net book value		
at 31 December 2019	<u>36,703</u>	<u>36,703</u>

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

8. INVESTMENT IN SUBSIDIARY

	2019	2018
Unquoted shares, at cost	RM1	RM1
No. of shares	1	1

Details of the subsidiary of the Company are as follows:

Name of company	Country of incorporation	Effective interest (%)		Principal activities
		2019	2018	
Double Care Sdn Bhd ("DCSB")	Malaysia	100.00	100.00	In liquidation

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

9. INVESTMENT IN ASSOCIATE

	2019 RM'000	2018 RM'000
Unquoted shares, at cost	152	152

Details of the associate are as follows:

Name of company	Principal activities	Effective interest (%)	
		2019	2018
Asian Forum Inc. (Incorporated in Federal Territory of Labuan, Malaysia)	In liquidation	33.33	33.33

The financial year end of the associate is 31 December. The latest available financial information of the associate for the financial period ended 30 September 2019 were used for the purpose of the above disclosures.

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

10. INVESTMENTS

	2019 RM'000	2018 RM'000
Malaysian government papers	232,097	108,379
Equity securities	133,296	126,572
Debt securities	708,667	626,791
Deposits with financial institutions	324,695	245,774
	1,398,755	1,107,516

Included in the deposits with financial institutions are balances invested in ultimate holding company and other related companies within the Maybank Group amounting to RM158,748,000 and RM16,598,000 (2018: RM104,112,000 and RM33,527,000)

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

	2019 RM'000	2018 RM'000
Fair value through profit and loss ("FVTPL"):		
- Designated upon initial recognition	10,141	12,704
- Held for trading ("HFT")	133,296	126,572
Fair value through other comprehensive income ("FVOCI")	930,623	722,466
Amortised cost ("AC")	324,695	245,774
	1,398,755	1,107,516

The following investments mature after 12 months:

	2019 RM'000	2018 RM'000
FVTPL		
- Designated upon initial recognition	10,141	-
FVOCI	839,345	687,105
	849,486	687,105

	2019 RM'000	2018 RM'000
(a) FVTPL		
(i) Designated upon initial recognition		
<u>At fair value</u>		
Debt securities:		
Unquoted in Malaysia	10,141	5,028
Unquoted outside Malaysia	-	7,676
Total financial assets designated as FVTPL upon initial recognition	10,141	12,704

10. INVESTMENTS (CONTD.)

	2019 RM'000	2018 RM'000
(a) FVTPL (contd.)		
(ii) HFT		
<u>At fair value</u>		
Equity securities:		
Quoted in Malaysia	49,343	42,784
Quoted outside Malaysia	438	98
Unquoted in Malaysia	83,515	83,690
Total HFT financial assets	133,296	126,572
 (b) FVOCI		
<u>At fair value</u>		
Malaysian government papers	232,097	108,379
Debt securities:		
Unquoted in Malaysia	698,526	614,087
Total FVOCI financial assets	930,623	722,466
 (c) AC		
Deposits and placements with:		
Licensed financial institutions	309,695	240,723
Others	15,000	5,051
Total AC financial assets	324,695	245,774
 Total financial assets	1,398,755	1,107,516

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

Included in fixed and call deposits with licensed banks are assets amounting to NIL (2018: RM35,000,000) which have been pledged to obtain banking facility from Maybank.

Fair Value of Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 43(c).

11. FINANCING RECEIVABLES

	2019	2018
	RM'000	RM'000
Staff loans - secured	25,203	27,210
Non staff loans	6,494	7,000
	<u>31,697</u>	<u>34,210</u>
Allowance for impairment losses (Note 40(i))	<u>(5,145)</u>	<u>(5,507)</u>
	<u>26,552</u>	<u>28,703</u>
Receivable after 12 months	<u>22,533</u>	<u>23,260</u>

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

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

	2019	2018
Staff loans	1.82%	2.95%
Non-staff loans	4.85%	5.10%

12. REINSURANCE ASSETS

	2019	2018
	RM'000	RM'000
Reinsurers' share of insurance contract liabilities (Note 18)		
Claims liabilities	2,705,046	2,448,675
Premium liabilities	260,015	257,315
	<u>2,965,061</u>	<u>2,705,990</u>
Allowance for impairment losses (Note 40 (i))	<u>(11,834)</u>	<u>(2,642)</u>
	<u>2,953,227</u>	<u>2,703,348</u>

Included in reinsurance assets are balances due from related parties amounting to RM4,231,000 (2018: RM700,000).

13. INSURANCE RECEIVABLES

	2019	2018
	RM'000	RM'000
Due premiums including agents/ brokers and co-insurers balances	292,022	304,554
Due from reinsurers and cedants	33,296	43,769
	<u>325,318</u>	<u>348,323</u>
Allowance for impairment losses (Note 40(i))	(4,718)	(1,593)
	<u>320,600</u>	<u>346,730</u>

Amounts of insurance receivables that have been offset against amounts due to the same counterparties are as follows:

	Gross carrying amount	Gross amount offset in the Statement of Financial Position	Net amounts in the Statement of Financial Position
	RM'000	RM'000	RM'000
		(Note 20)	
2019			
Due premiums including agents/brokers and co-insurers balances	300,421	(8,399)	292,022
Due from reinsurers and cedants	39,434	(6,138)	33,296
	<u>339,855</u>	<u>(14,537)</u>	<u>325,318</u>
2018			
Due premiums including agents/brokers and co-insurers balances	316,565	(12,011)	304,554
Due from reinsurers and cedants	44,326	(557)	43,769
	<u>360,891</u>	<u>(12,568)</u>	<u>348,323</u>

Included in due premiums including agents/brokers and co-insurers balances and due from reinsurers and cedants are balances due from related parties amounting to RM8,167,000 and RM14,818,000 (2018: RM8,875,000 and RM11,646,000 respectively). The amounts receivable are subject to settlement terms stipulated in the underlying insurance contracts.

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

14. OTHER ASSETS

	2019 RM'000	2018 RM'000
Amount due from stockbrokers	-	5,261
Share of net assets in Malaysian		
Motor Insurance Pool ("MMIP")	48,889	56,398
Goods and Service Tax Recoverable	2,074	7,640
Sundry receivables, deposits and prepayments	2,579	5,198
Allowance for impairment losses (Note 40 (i))	-	(2)
	<u>2,579</u>	<u>5,196</u>
 Income due and accrued	 13,551	 12,195
 Amount due from related companies* (Note 37 (b)):		
- Ultimate holding company	-	203
- Penultimate holding company	1,083	-
- Other related companies	2,028	3,963
	<u>3,111</u>	<u>4,166</u>
Total Other Assets	<u>70,204</u>	<u>90,856</u>

* Amounts due from related companies are non-trade in nature, unsecured, interest free and are repayable in the short-term.

Included in income due and accrued is balance due from ultimate holding company and other related parties amounting to RM385,000 (2018: RM871,200). These balances are unsecured, interest-free and repayable in the short-term.

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

15. DERIVATIVES

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

	<----- 2019 ----->			<----- 2018 ----->		
	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
Hedging derivatives:						
Forward foreign exchange contracts from Maybank	-	-	-	9,582	82	-
		-	-		82	-
Total derivatives		-	-		82	-

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 43(c).

Hedging derivatives:

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments.

16. SHARE CAPITAL

	<-- Number of shares-->		<----- Amount ----->	
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Issued and fully paid:				
Ordinary shares				
At 1 January 2019/				
1 January 2018	212,151	152,151	229,879	169,879
Issuance of new shares	-	60,000	-	60,000
At 31 December 2019/				
31 December 2018	212,151	212,151	229,879	229,879

On 3 July 2018, the holding company, MAHB injected capital into the Company by way of the issuance of 60,000,000 new ordinary shares for cash, amounting to a total of RM60,000,000. This resulted in an increase in the number of ordinary shares from 152,151,000 to 212,151,000 and issued and paid-up capital from RM169,879,000 to RM229,879,000.

17. RESERVES

	Note	2019 RM'000	2018 RM'000
FVOCI reserve	(i)	28,710	1,197
Other reserves:			
Revaluation reserve	(ii)	76,391	76,391
Currency translation reserve	(iii)	13,969	13,876
		<u>90,360</u>	<u>90,267</u>
Retained profits:			
Distributable	(iv)	714,629	637,858
		<u>714,629</u>	<u>637,858</u>
Total reserves		<u>833,699</u>	<u>729,322</u>

- (i) The FVOCI reserve arose from the changes in the fair value of the financial assets at FVOCI of the Company.
- (ii) The revaluation reserve of the Company represents the difference between the carrying amount of properties previously classified as self occupied properties but subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.
- (iii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from the presentation currency of the Company.
- (iv) The entire distributable retained earnings may be distributed to the shareholder under the single-tier system.

18. INSURANCE CONTRACT LIABILITIES

	<----- 2019 ----->			<----- 2018 ----->		
	Gross RM'000	Reinsurance RM'000 (Note 12)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 13)	Net RM'000
Claims liabilities (i)	3,077,202	(2,705,046)	372,156	2,764,447	(2,448,675)	315,772
Premium liabilities (ii)	519,726	(260,015)	259,711	478,765	(257,315)	221,450
	<u>3,596,928</u>	<u>(2,965,061)</u>	<u>631,867</u>	<u>3,243,212</u>	<u>(2,705,990)</u>	<u>537,222</u>

(i) Claims liabilities

	<----- 2019 ----->			<----- 2018 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2019/ 1 January 2018	2,764,447	(2,448,675)	315,772	2,710,436	(2,387,292)	323,144
Claims incurred in the current accident year	998,156	(714,262)	283,894	623,354	(407,003)	216,351
Other movements in claims incurred in prior accident years	(39,170)	46,628	7,458	(68,309)	68,168	(141)
Claims paid during the year	(647,853)	407,486	(240,367)	(520,768)	294,449	(226,319)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,310	-	1,310	1,055	-	1,055
Movements in PRAD	312	3,777	4,089	18,679	(16,997)	1,682
At 31 December 2019/ 31 December 2018	<u>3,077,202</u>	<u>(2,705,046)</u>	<u>372,156</u>	<u>2,764,447</u>	<u>(2,448,675)</u>	<u>315,772</u>

(ii) Premium liabilities

	<----- 2019 ----->			<----- 2018 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2019/ 1 January 2018	478,765	(257,315)	221,450	412,084	(223,107)	188,977
Premiums written in the year (Note 23)	1,305,225	(767,024)	538,201	1,215,077	(757,123)	457,954
Premiums earned during the year (Note 23)	(1,264,264)	764,324	(499,940)	(1,148,396)	722,915	(425,481)
At 31 December 2019/ 31 December 2018	<u>519,726</u>	<u>(260,015)</u>	<u>259,711</u>	<u>478,765</u>	<u>(257,315)</u>	<u>221,450</u>

19. DEFERRED TAXATION

	2019 RM'000	2018 RM'000
At 1 January 2019/ 1 January 2018	(34,349)	(5,807)
Recognised in:		
Income statement (Note 32)	296	(3,090)
Other comprehensive income (Note 32)	(8,689)	(25,452)
At 31 December 2019/ 31 December 2018	<u>(42,742)</u>	<u>(34,349)</u>

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

	2019 RM'000	2018 RM'000
Deferred tax assets	4,589	1,805
Deferred tax liabilities	<u>(47,331)</u>	<u>(36,154)</u>
	<u>(42,742)</u>	<u>(34,349)</u>

19. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

	General insurance liabilities RM'000	Impairment of receivables RM'000	Amortisation of premiums on investments RM'000	FVOCI reserve RM'000	Impairment of investments RM'000	Unrealised currency exchange RM'000	Total RM'000
2019							
At 1 January 2019	-	795	538	-	189	283	1,805
Recognised in:							
Income statement	149	2,987	(78)	-	7	(281)	2,784
At 31 December 2019	149	3,782	460	-	196	2	4,589
2018							
At 1 January 2018	-	2,250	1,169	1,198	1,681	130	6,428
Recognised in:							
Income statement	-	(1,455)	(631)	-	(1,492)	153	(3,425)
Other comprehensive income	-	-	-	(1,198)	-	-	(1,198)
At 31 December 2018	-	795	538	-	189	283	1,805

19. DEFERRED TAX, NET (CONTD.)

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

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	FVOCI reserve RM'000	General insurance liabilities RM'000	Total RM'000
2019					
At 1 January 2019	(5,342)	(30,142)	(379)	(291)	(36,154)
Recognised in:					
Income statement	1,109	(3,888)	-	291	(2,488)
Other comprehensive income	-	-	(8,689)	-	(8,689)
At 31 December 2019	<u>(4,233)</u>	<u>(34,030)</u>	<u>(9,068)</u>	<u>-</u>	<u>(47,331)</u>
2018					
At 1 January 2018	(3,338)	(8,200)	-	(697)	(12,235)
Recognised in:					
Income statement	(2,004)	1,933	-	406	335
Other comprehensive income	-	(23,875)	(379)	-	(24,254)
At 31 December 2018	<u>(5,342)</u>	<u>(30,142)</u>	<u>(379)</u>	<u>(291)</u>	<u>(36,154)</u>

20. INSURANCE PAYABLES

	2019 RM'000	2018 RM'000
Due to agents and intermediaries	118,216	62,430
Due to reinsurers and cedants	306,032	341,416
	<u>424,248</u>	<u>403,846</u>

Amounts of insurance payables that have been offset against amounts due from the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 13)	Net amounts in the Statement of Financial Position RM'000
2019			
Due to agents and intermediaries	126,615	(8,399)	118,216
Due to reinsurers and cedants	312,170	(6,138)	306,032
	<u>438,785</u>	<u>(14,537)</u>	<u>424,248</u>
2018			
Due to agents and intermediaries	74,441	(12,011)	62,430
Due to reinsurers and cedants	341,973	(557)	341,416
	<u>416,414</u>	<u>(12,568)</u>	<u>403,846</u>

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

21. OTHER LIABILITIES

	2019	2018
	RM'000	RM'000
ROU lease liabilities		
- Lease liabilities (Note 6)	5,662	-
- Provision for restoration costs	1,250	-
Amount due to related companies* (Note 37 (b)):		
- Ultimate holding company	278	-
- Immediate holding company	574	1,564
- Other related companies	891	7,291
Amount due to subsidiary* (Note 37 (b)):	1,628	1,632
Amount due to stockbrokers	21	-
Provision for land development costs	840	7,200
Sundry payables and accrued liabilities	70,538	79,007
	81,682	96,694

The movement of provision for land development costs is disclosed as follows:

	2019	2018
	RM'000	RM'000
At 1 January	7,200	11,656
Reversal of provision (Note 28)	(6,360)	(4,456)
At 31 December	840	7,200

*Amounts due to related companies and subsidiary are non-trade in nature, unsecured, interest free and are repayable in the short-term.

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

22. OPERATING REVENUE

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

	2019	2018
	RM'000	RM'000
Gross premiums (Note 23)	1,305,225	1,215,077
Investment income (Note 25)	60,378	59,581
	1,365,603	1,274,658

23. NET EARNED PREMIUMS

	2019 RM'000	2018 RM'000
(a) Gross Earned Premiums		
Gross premiums (Note 18, Note 22)	1,305,225	1,215,077
Change in premium liabilities	(40,961)	(66,681)
Gross earned premiums (Note 18)	<u>1,264,264</u>	<u>1,148,396</u>
(b) Earned Premiums ceded to reinsurers		
Premiums ceded to reinsurers (Note 18)	(767,024)	(757,123)
Change in premium liabilities	2,700	34,208
Earned premiums ceded to reinsurers (Note 18)	<u>(764,324)</u>	<u>(722,915)</u>
Net earned premiums	<u>499,940</u>	<u>425,481</u>

24. FEE AND COMMISSION INCOME

	2019 RM'000	2018 RM'000
Reinsurance commission income	<u>71,508</u>	<u>61,481</u>

25. INVESTMENT INCOME

	2019 RM'000	2018 RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	876	1,863
(ii) HFT		
Interest income	11	3
Dividend income		
- Quoted in Malaysia	879	1,669
- Unquoted in Malaysia	858	73
- Quoted outside Malaysia	-	7
- Unit and property trusts	-	5

25. INVESTMENT INCOME (CONTD.)

	2019	2018
	RM'000	RM'000
Financial assets at FVOCI		
Interest income	34,323	35,479
Financial assets at AC		
Interest income	11,137	13,211
Interest income from financing receivables and other loans	1,276	1,361
	12,413	14,572
Accretion of discount/(amortisation of premiums), net	353	(982)
Investment related expenses	(200)	(283)
Rental income	13,123	11,517
Rental expense	(2,258)	(4,342)
Total investment income	60,378	59,581

26. REALISED GAINS/(LOSSES)

	2019	2018
	RM'000	RM'000
Realised gain on disposal of property, plant and equipment	-	4,001
Realised loss on disposal of investment properties	-	(183)
Realised gains on disposal of:		
Financial assets at FVTPL		
(i) Designated upon initial recognition		
- Debt securities	-	(42)
- Other investment	-	1,340
	-	1,298
(ii) HFT		
- Equity securities	(5,482)	(17,925)
- Debt securities	-	1
- Unit and property trust funds	-	(38)
	(5,482)	(17,962)
Financial assets at FVOCI		
- Malaysian government papers	(583)	122
- Debt securities	7,405	1,399
	6,822	1,521
Total realised gains/(losses)	1,340	(11,325)

27. FAIR VALUE GAINS

	2019 RM'000	2018 RM'000
Fair value gains:		
Investment properties (Note 4)	13,163	17,978
Financial assets at FVTPL		
- Designated upon initial recognition	127	(467)
- HFT	2,911	2,326
Total fair value gains on financial assets at FVTPL	3,038	1,859
Total fair value gains	16,201	19,837

28. OTHER OPERATING INCOME, NET

	2019 RM'000	2018 RM'000
<u>Other income</u>		
Gain on foreign exchange:		
- Unrealised	1,031	-
Reversal of impairment losses on:		
- Financing receivables	362	-
- Insurance receivables	-	6,654
- Other assets	2	-
Insurance receivables recoveries	1,667	4,734
Reversal of provision on land replacement costs (Note 21)	6,360	4,456
Sundry income	6,477	6,821
	15,899	22,665
<u>Other expenses</u>		
Allowance for impairment losses on:		
- Financing receivables	-	(137)
- Insurance receivables	(3,125)	-
- Reinsurance assets	(9,192)	(718)
- Investment	(30)	(60)
Losses on foreign exchange		
- Realised	(1,029)	(286)
- Unrealised	-	(469)
Sundry expenditure	(449)	-
	(13,825)	(1,670)
Total other operating income, net	2,074	20,995

29. MANAGEMENT EXPENSES

	2019	2018
	RM'000	RM'000
Employee benefits expense (Note 29(a))	83,439	79,707
Directors' remuneration (Note 30)	935	1,079
Auditors' remuneration:		
- statutory audit	331	331
- regulatory related services	19	19
- other services	119	433
Amortisation of intangible assets	6,032	5,690
Bank charges	4,755	4,866
Depreciation of property, plant and equipment	2,600	2,851
Depreciation of ROU assets	2,271	-
Interest on lease liabilities	246	-
Other management fees	10,388	4,156
Professional fees	1,550	2,627
Auto assist services	2,176	1,996
Rental of offices/premises	3,992	4,733
Information technology outsourcing	5,098	3,591
Postage and stamp duties	563	1,149
Printing and stationery	397	1,338
Promotional and marketing cost	18,776	15,371
Training expenses	1,032	1,221
Utilities, assessment and maintenance	1,683	1,776
Entertainment	446	451
Travelling expenses	1,283	1,475
Office facilities expenses	727	611
Legal fees	258	351
Other expenses	5,001	3,719
Total Management Expenses	154,117	139,541

(a) Employee benefits expense:

Wages and salaries	63,339	57,130
EPF and CPF	10,271	9,806
SOCSSO	449	438
Share-based compensation	731	31
Other benefits	8,649	12,302
	83,439	79,707

29. MANAGEMENT EXPENSES (CONTD.)

(b) The details of CEO's remuneration during the year are as follows:

	2019	2018
	RM'000	RM'000
Salary	600	540
Bonus	326	270
EPF	164	137
Share-based compensation	126	-
Other emoluments	141	84
	<u>1,357</u>	<u>1,031</u>

30. DIRECTORS' REMUNERATION

	2019	2018
	RM'000	RM'000
Directors of the Company		
Executive director:		
Fees	120	119
Allowance	16	7
	<u>136</u>	<u>126</u>
Non-executive directors:		
Fees	687	829
Allowance	86	99
Other emoluments	26	25
	<u>799</u>	<u>953</u>
Total Directors' Remuneration	<u>935</u>	<u>1,079</u>

30. DIRECTORS' REMUNERATION (CONTD.)

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

	Allowance RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
2019				
Directors of the Company:				
Executive director				
Datuk Nora Abd. Manaf	16	120	-	136
	16	120	-	136
Non-executive directors:				
Datuk Mohd Najib Abdullah	18	180	3	201
Mr. Philippe Pol Arthur Latour	12	120	-	132
Mr. Frank J.G Van Kempen	16	120	-	136
Mr. Loh Lee Soon	16	117	5	138
Mr. Koh Heng Kong	18	120	18	156
Cik Serina Abdul Samad	4	10	-	14
Dato' Johan Ariffin	2	20	-	22
	86	687	26	799
	102	807	26	935
2018				
Directors of the Company:				
Executive director				
Datuk Nora Abd. Manaf	7	119	-	126
	7	119	-	126
Non-executive directors:				
Datuk R Karunakaran	15	174	-	189
Mr. Philippe Pol Arthur Latour	14	119	-	133
Dato' Johan Ariffin	15	119	-	134
Mr. Loh Lee Soon	15	119	5	139
Mr. Frank J.G Van Kempen	15	119	-	134
Mr. Koh Heng Kong	15	119	17	151
Datuk Mohd Najib Abdullah	10	60	3	73
	99	829	25	953
	106	948	25	1,079

31. FEE AND COMMISSION EXPENSES

	2019	2018
	RM'000	RM'000
Costs incurred for the acquisition of insurance contracts	<u>95,688</u>	<u>85,956</u>

32. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 31 December 2018 are:

	2019	2018
	RM'000	RM'000
<u>Income Statement</u>		
<u>Income tax:</u>		
Current financial year		
- Malaysia	24,893	25,338
Under/(over) provision of taxation in prior financial year	3,517	(32,982)
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences (Note 19)	<u>(296)</u>	<u>3,090</u>
Income tax expense/(recovery) recognised in income statement	<u>28,114</u>	<u>(4,554)</u>

Statement of Comprehensive Income

Deferred income tax related to other comprehensive income:		
- Fair value changes on FVOCI Investments (Note 19)	8,689	1,577
- Fair value changes on properties (Note 19)	-	23,875
	<u>8,689</u>	<u>25,452</u>

32. INCOME TAX EXPENSE (CONTD.)

Reconciliation between tax expense and accounting profit

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

	2019	2018
	RM'000	RM'000
Profit before taxation	104,885	121,074
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	25,172	29,058
Tax on non-recyclable income	-	(916)
Differential tax rate	(1,063)	-
Income not subject to tax	(2,707)	(3,557)
Expenses not deductible for tax purposes	3,195	3,843
Under/(over) provision of taxation in prior financial year	3,517	(32,982)
Tax expenses/(recovery) for the financial years	28,114	(4,554)

The income tax for Shareholders' fund and General fund in relation to the Malaysian operations are calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

33. EARNINGS PER SHARE

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

	2019 RM'000	2018 RM'000
Profit attributable to ordinary equity holders	<u>76,771</u>	<u>125,628</u>
	2019 '000	2018 '000
Weighted average number of ordinary share in issue At 31 December	<u>212,151</u>	<u>182,069</u>
	2019 sen	2018 sen
Basic and diluted earnings per share:	<u>36.19</u>	<u>69.00</u>
	<u>36.19</u>	<u>69.00</u>

There have been no other transactions involving ordinary shares between the reporting date and date of completion of these financial statements.

34. OPERATING LEASE COMMITMENTS

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

	2019 RM'000	2018 RM'000
Not later than one year	11,039	10,442
Between one and five years	41,044	40,324
	<u>52,083</u>	<u>50,766</u>

Rental income on investment properties recognised in the income statement during the financial year is disclosed in Note 25.

35. OTHER COMMITMENTS AND CONTINGENCIES

	2019 RM'000	2018 RM'000
Approved and contracted for:		
Property, plant and equipment	42	79
Intangible assets	635	603
	<u>677</u>	<u>682</u>
Approved but not contracted for:		
Property, plant and equipment	4,723	-
Intangible assets	119	112
	<u>4,842</u>	<u>112</u>

36. SHARE BASED COMPENSATION

ESGP and CESGP

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

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

The ESGP Shares is a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

Other principal features of the ESGP are as follows:

- (i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and has not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.
- (ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of Maybank in a general meeting.
- (iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, Maybank may terminate the ESGP at any time during the duration of the scheme subject to consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

37. 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 the Chief Executive Officer of the Company.

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

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Company are as follows:

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

	2019	2018
	RM'000	RM'000
<u>Income/(expenses):</u>		
Ultimate holding company:		
Gross premium income	26,605	28,320
Commissions and fees expenses	(24,852)	(25,212)
Claims paid	(1,873)	(3,125)
Interest income	3,222	3,352
Rental income	541	527
Other expenses	(326)	(275)
ESGP	(570)	-
	<hr/>	<hr/>
Immediate holding company:		
Gross premium income	14	16
Rental income	92	82
Claims paid	-	(15)
Shared service cost	(7,054)	(9,447)
Remuneration of a seconded employee	(110)	-
	<hr/>	<hr/>

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

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

	2019 RM'000	2018 RM'000
Fellow subsidiaries within the MAHB group:		
Gross premium income	25,236	27,636
Premium ceded to reinsurers	(26,870)	(23,626)
Commissions and fee expenses	(13,001)	(9,949)
Reinsurance commission income	14,021	8,322
Claims paid	(2,498)	(2,889)
Claims recovery from reinsurers	3,162	2,461
Other income	795	544
Other expenses	-	(14)
Rental income	9,238	7,841
Rental expense	(1,828)	(2,093)
Shared service cost	(4,415)	(14,305)
Reinsurance portfolio administration fee	<u>(58)</u>	<u>(65)</u>
Other related companies within the Maybank group:		
Gross premium income	1,480	1,350
Interest income	2,072	1,310
Rental income	-	18
Claims paid	-	(98)
Management expenses	(124)	-
Information Technology outsourcing	<u>(5,098)</u>	<u>(3,591)</u>
Companies with significant influence over the Maybank Group:		
Gross insurance income	1,128	1,318
Claims paid	(298)	-
Interest on subordinated obligation	<u>-</u>	<u>(5,582)</u>

37. 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 as follows:

	2019	2018
	RM'000	RM'000
Ultimate holding company:		
Fixed and call deposits	158,748	104,112
Derivatives	-	81
Bank balances*	(1,560)	35,304
Income due and accrued	199	681
Outstanding premiums	8,178	8,875
Claim liabilities	(58,377)	(57,683)
Provision for custodian fee	(16)	(18)
Amount due from ultimate holding company (Note 14)	-	203
Amount due to ultimate holding company (Note 21)	(278)	-
Immediate holding company:		
Outstanding premiums	-	20
Claim liabilities	(56)	-
Amount due to holding company (Note 21)	<u>(574)</u>	<u>(1,564)</u>
Penultimate holding company:		
Amount due from penultimate holding company (Note 14)	<u>1,083</u>	<u>-</u>
Fellow subsidiaries within the MAHB group:		
Amount due from reinsurers and cedants	14,818	11,646
Claims liabilities	(4,222)	(4,959)
Reinsurance assets	4,231	700
Amount due from other related companies (Note 14)	2,025	3,880
Amount due to other related companies (Note 21)	<u>(808)</u>	<u>(7,208)</u>
Other related companies within the Maybank Group:		
Fixed and call deposits	16,598	33,527
Income due and accrued	186	190
Claims liabilities	(50)	(50)
Amount due from other related companies (Note 14)	3	83
Amount due to other related companies (Note 21)	<u>(83)</u>	<u>(83)</u>

* The Company has no overdraft facility. The credit balance above arose due to the short tenure overnight placement under Maybank's Liquidity Concentration Services to minimise idle cash balances.

37. 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 as follows (contd.):

	2019 RM'000	2018 RM'000
Companies with significant influence over the Maybank Group:		
Claims liabilities	(503)	(903)
Subsidiary:		
Amount due to subsidiary (Note 21)	(1,628)	(1,632)

- (c) Key management personnel compensation

- (i) The remuneration of key management personnel during the years were as follows:

	2019 RM'000	2018 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	1,028	916
- Fees	807	948
- Contribution to EPF	164	137
- Share based compensation	126	-
- Other emoluments	167	109
	<u>2,292</u>	<u>2,110</u>

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

	2019 '000	2018 '000
At 1 January 2019/ 1 January 2018	-	141
Resignation of key management personnel	-	(141)
At 31 December 2019/31 December 2018	<u>-</u>	<u>-</u>

- (iii) The numbers of shares awarded for ESGP shares to key management personnel are as follows:

	2019 '000	2018 '000
At 1 January	132	-
Awarded	132	132
At 31 December	<u>264</u>	<u>132</u>

38. INTEGRATED RISK MANAGEMENT FRAMEWORK

The Integrated Risk Management Framework ("IRMF") encapsulates the governance structure to support the risk management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful Bhd ("EGTB") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the Group".

Seven (7) key building blocks have been set which serve as the foundation for risk management and executed in accordance with the standards and risk appetite set by the Board.



The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

Principles

The approach to risk management is premised on the following seven (7) broad principles:

- Establish Risk appetite and strategy
- Assign adequate capital
- Ensure governance and oversight function
- Promote strong risk culture
- Establish adequate risk framework and policies
- Establish risk management practices and processes
- Ensure sufficient resources and system infrastructures

Risk appetite and strategy

The establishment of the Group's risk appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite should enable the Board of Directors ("the Board") and Senior Management to communicate, understand and assess the types and level of risk that they are willing to accept in pursuit of their business objectives.

38. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk appetite and strategy (contd.)

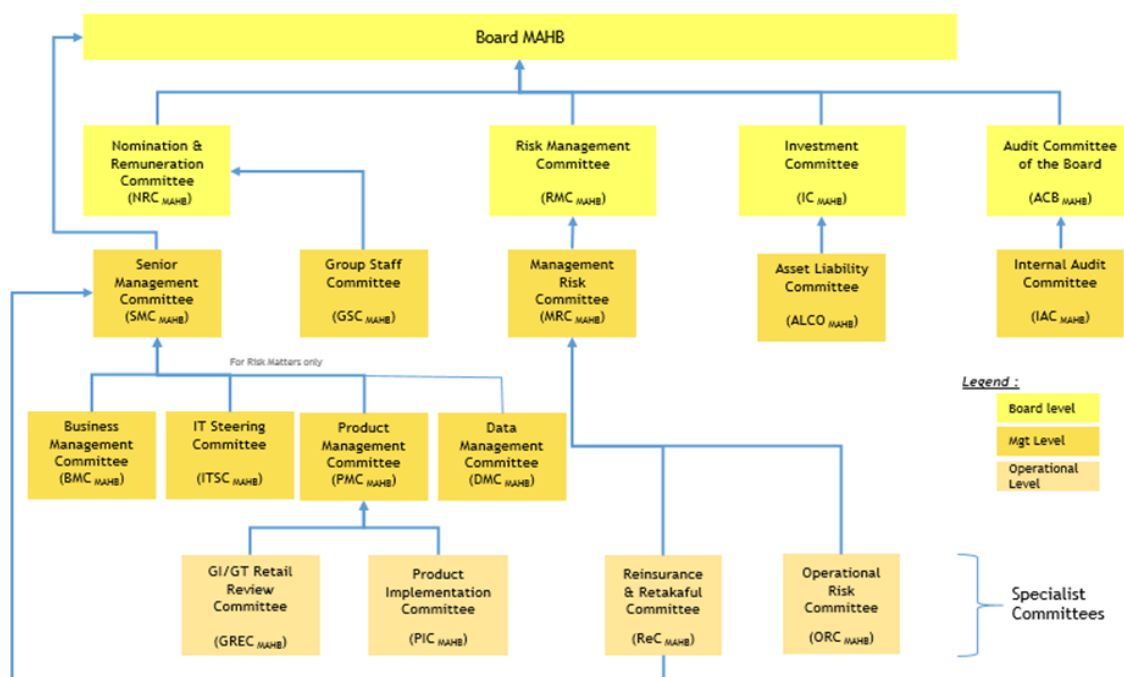
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising from business transactions are consistent with the risk profile and risk appetite established.

Governance and risk oversight

The Group continuously enhances its integrated risk management approach towards effective management of enterprise-wide risks. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of Committees, business lines, control and reporting functions.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group.

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function. The risk management function is built around a number of Boards and Committees that have been set-up, including the Board, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").



Note: The risk matters that can't be adequately addressed in management committees will be tabled to Management Risk Committee for further deliberation and review.

38. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and risk oversight (contd.)

The risk governance structure aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) lines of defence which include the risk taking units, risk control units and internal audit.

Board

The MAHB Board, together with the ELIB, EFTB, EGIB, EGTB and EIPL Boards, have the final responsibility for all business activities, including risk management. The Boards have delegated specific matters to sub-Boards Committees, such as Shariah matters to Shariah Committee ("SC"), risk matters to the Risk Management Committee ("RMC"), Audit matters to the Audit Committee of the Board ("ACB") and investment matters to the Investment Committee ("IC").

Board Oversight Committee of Innovation and Technology ("BOC IT") was implemented by Board in Q3 2019 to oversee the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical innovation and technology projects including regulatory changes; and, ensure the relevant initiatives are adequately funded and resourced. The Terms of Reference of the relevant Committees as well as IRMF are to be reviewed in 2020.

The following management level committees are established to support the Board in terms of risk governance on the business activities:

Senior Management Committee ("SMC")

The SMC is responsible to assure the Board that the Group takes adequate decisions regarding risks and return and to make sure adequate controls exist and are fully operational; and, ensure that the management of risk is in line with the approved risk appetite, strategy, risk frameworks, policies, procedures and risk management practices and processes established.

Management Risk Committee ("MRC")

The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

Asset Liability Committee ("ALCO")

The ALCO is responsible for the investment strategy and operations. It will carry out its responsibilities within the limits set by the MRC taking into consideration the Risk Appetite and Asset Liability Management ("ALM") constraints.

38. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Internal Audit Committee ("IAC")

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports; to deliberate and ensure adequacy and timeliness of the remedial actions; and, to support ACB in all audit related matters.

Product Management Committee ("PMC")

The PMC's prime objective is to oversee, coordinate and manage the whole process of product development and product management for specific product lines. PMC monitor the implementation, and post implementation performance of the Insurance & Takaful Products.

Data Management Committee ("DMC")

DMC is to ensure effective group wide implementation of related Data Management policies and procedures, with proper execution of the actions and activities stipulated for every operating entity / subsidiary.

Information Technology Steering Committee ("ITSC")

ITSC is to establish, review and approve IT initiatives as well as long term IT strategies and plans; identify potential IT strategies for the improvement of business operating model; ensure the alignment of IT initiatives and business strategies; ensure adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

The following Operational Level Committees are established to support the Management level committees at MAHB level in the discharge of their duties:

Operational Risk Committee ("ORC")

ORC serves as the advisor to MRC concerning group wide operational risk related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

General Reinsurance & Retakaful Committee ("GReC")

GReC acts as the risk governance body in relation to the reinsurance management of the General Insurance & Takaful policies. The scope of the GReC covers General Reinsurance, Inwards and Outwards Reinsurance for the Insurance & Takaful Group.

Motor and Fire Committees were implemented at entity level to deliberate and formulate action plans on the management of Motor and Fire businesses respectively.

38. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk culture

Risk culture is a vital component in strengthening the Group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The risk culture can be strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

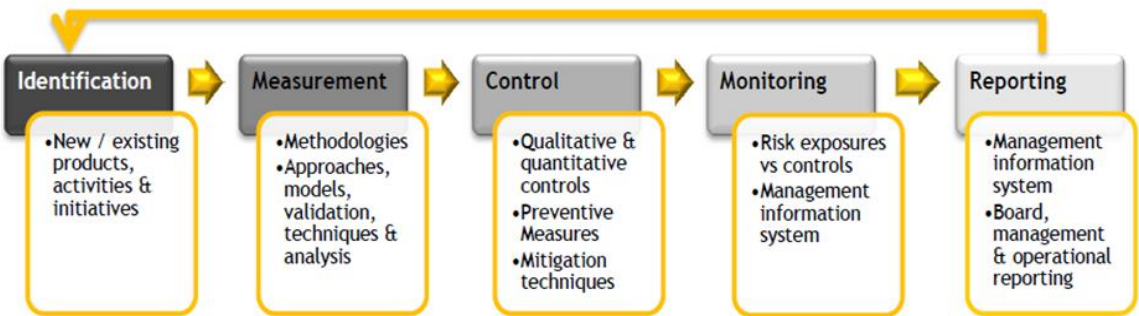
In line with the evolving market environment and dynamics within the Group and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk management practices and processes

Risk management practices and processes are fundamental components of the risk principles. It is essential in enabling systematic identification, measurement, control, monitoring and reporting of risk exposures.

To enable an effective execution of risk management practices and processes, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group. The standard classification of risks are detailed as part of Maybank Group Risk Universe.

The five (5) main stages of the risk management process which form a continuous cycle are as follows:



38. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Resource and system infrastructure

Appropriate system infrastructure and resources are the foundation and enabler to effective risk management practices and processes. As a result, the Group should equip itself with necessary resources, infrastructure and support to perform its roles efficiently.

Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

The personnel within risk management should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the Group's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities. The risk management function should be given full access to internal systems and information for the purpose of performing its roles.

System infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

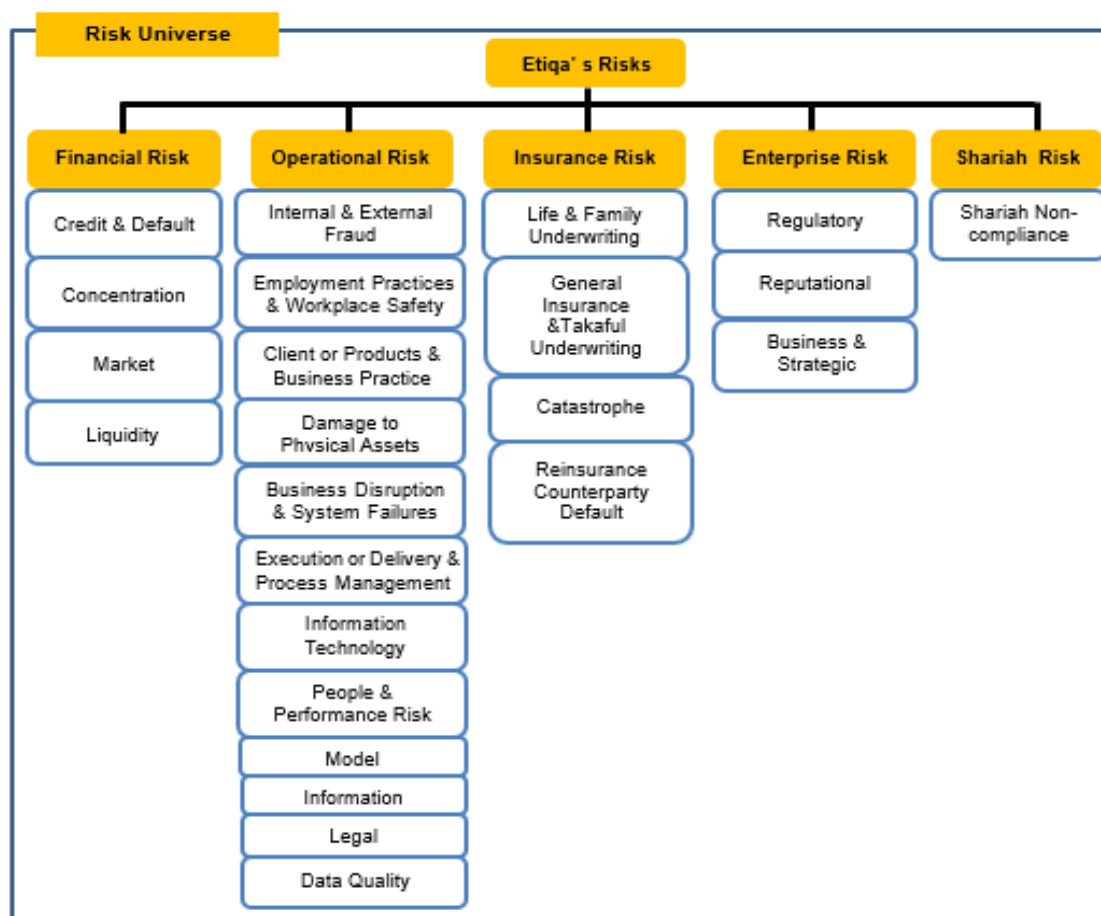
Through established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately.

In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within the Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

38. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk universe

The major risk clusters are listed in the Risk Universe which consists of Financial, Insurance, Operational, Enterprise and Shariah Risk. The following chart illustrates the risk types that are applicable to the businesses and operations.



Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.

39. INSURANCE RISK

Insurance risk relates to the inherent risks associated with the underwriting activities of General Insurance. Such risks include pricing, reserving, underwriting, catastrophe and reinsurance counterparty default. Analyses are performed to ensure that insurance risks remain within the company's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Reinsurance offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honor their obligations. The Company monitors the reinsurers creditworthiness on a monthly basis.

The Company has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(i) General Insurance ("GI") underwriting risk

GI Underwriting Risk reflects the adverse changes in the level, trend or volatility / fluctuation of claims settlement experience in terms of timing, frequency and severity of insured events that are different compared to expectations / best estimate assumptions, either from pricing or reserving, therefore affecting the profitability of the GI portfolio.

39. INSURANCE RISK (CONTD.)

(ii) Catastrophe risk

Catastrophe Risk is the risk of loss or adverse changes in the value of Insurance liabilities due to over-exposures to extreme or exceptional events (e.g. flood, earthquake and etc.), which can cause an accumulated loss or single large loss.

(iii) Counterparty default risk

The counterparty default risk reflects possible losses due to unexpected default of counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk.

General Insurance

(i) The table below discloses the premiums written by geography and type of business:

	<----- 2019 ----->			<----- 2018 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<u>Malaysia</u>						
Motor	286,423	(7,252)	279,171	223,638	(7,131)	216,507
Fire	222,189	(130,132)	92,057	217,961	(135,567)	82,394
Marine, Aviation, Cargo and Transit	570,879	(553,831)	17,048	544,032	(529,072)	14,960
Miscellaneous	200,498	(75,810)	124,688	201,809	(85,038)	116,771
	<u>1,279,989</u>	<u>(767,025)</u>	<u>512,964</u>	<u>1,187,440</u>	<u>(756,808)</u>	<u>430,632</u>

39. INSURANCE RISK (CONTD.)

(i) The table below discloses the premiums written by geography and type of business: (contd.)

	<----- 2019 ----->			<----- 2018 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<u>Brunei</u>						
Motor	-	-	-	-	(317)	(317)
Fire	-	-	-	-	2	2
	-	-	-	-	(315)	(315)
<u>Singapore</u>						
Fire	25,236	-	25,236	27,637	-	27,637
Total	1,305,225	(767,025)	538,200	1,215,077	(757,123)	457,954

(ii) Key assumptions and methods

The estimation of claims liabilities based on Bank Negara Malaysia's Risk-Based Capital Framework for Insurers requires all general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

39. INSURANCE RISK (CONTD.)

(ii) Key assumptions and methods (contd.)

The assumptions used in the projection methodologies, including future rates of claims inflation, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect any one-off occurrences, changes in external or market factors such as the public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process explicitly by adding in a provision of risk margin for adverse deviation ("PRAD") for the best estimate of the cost of future claim payments.

The methodology used in deriving the ULAE is the same as last year. A loading is applied directly to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE.

Unallocated loss adjustment expense	2019	2018
Malaysia - Unallocated loss adjustment expense ratio	4%	4%

(iii) Sensitivity analysis

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development in earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the General Insurance fund's claim liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and consequently, the observed net claims ratio for the financial year. Accordingly, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and equity.

39. INSURANCE RISK (CONTD.)

(iii) Sensitivity analysis (contd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	*Impact on equity RM'000
		----- Increase/(decrease) ----->			
2019					
Net Incurred Claims Ratio	+ 5%	63,213	25,009	(25,009)	(19,007)
	- 5%	(63,213)	(25,009)	25,009	19,007
2018					
Net Incurred Claims Ratio	+ 5%	57,420	21,274	(21,274)	(16,168)
	- 5%	(57,420)	(21,274)	21,274	16,168

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

* Impact on equity is stated after tax of 24%.

(iv) Claims development table

The following tables show estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting year, together with cumulative payments to date. The management believes the estimate of total claims outstanding as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

39. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - gross insurance contract liabilities

	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Accident year									
Estimate of gross cumulative claims:									
At the end of accident year		687,574	3,368,421	472,373	500,223	650,926	623,423	998,184	
1 year later		507,493	3,324,465	644,826	427,229	653,550	628,613		
2 years later		600,092	3,870,607	677,394	408,481	636,539			
3 years later		552,955	3,318,450	655,504	394,858				
4 years later		559,641	3,297,763	646,590					
5 years later		555,275	3,296,421						
6 years later		549,360							
Estimate of gross cumulative claims (A)		549,360	3,296,421	646,590	394,858	636,539	628,613	998,184	
Estimate of gross cumulative payments to date:									
At the end of accident year		167,692	1,120,319	117,553	115,349	228,448	114,737	254,960	
1 year later		307,101	1,383,292	382,244	249,580	417,498	316,439		
2 years later		408,804	1,774,084	441,823	315,396	492,679			
3 years later		483,555	1,923,898	482,763	334,206				
4 years later		494,548	2,003,707	514,891					
5 years later		509,307	2,020,524						
6 years later		521,846							
Gross cumulative payments (B)		521,846	2,020,524	514,891	334,206	492,679	316,439	254,960	
Gross outstanding claim liabilities (A) - (B)		118,500	27,514	1,275,897	131,699	60,652	143,860	312,174	743,224
Gross outstanding claim liabilities for Brunei and Treaty Inward									59,223
Unallocated loss adjustment expenses									7,160
Best estimate of gross claim liabilities									2,879,903
PRAD									197,299
Gross Insurance Claim Liabilities as at 31 December 2019									3,077,202

39. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - net of reinsurance

	Before	As at 31 December							
Accident year	2013	2013	2014	2015	2016	2017	2018	2019	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims:									
At the end of accident year		283,985	263,503	255,864	248,567	206,014	216,540	283,922	
1 year later		265,906	251,303	249,573	227,268	201,881	222,226		
2 years later		274,429	246,969	244,085	227,687	199,313			
3 years later		273,160	238,975	244,196	229,240				
4 years later		270,774	240,031	244,512					
5 years later		269,262	238,868						
6 years later		268,763							
Estimate of net cumulative claims (A)		268,763	238,868	244,512	229,240	199,313	222,226	283,922	
Estimate of net cumulative payments to date:									
At the end of accident year		131,720	113,052	105,240	109,745	95,787	105,268	131,115	
1 year later		224,674	195,128	197,502	183,464	161,937	171,037		
2 years later		244,820	215,245	220,400	207,112	181,876			
3 years later		255,638	225,251	229,927	216,410				
4 years later		259,964	231,551	233,849					
5 years later		261,876	231,761						
6 years later		263,590							
Net cumulative payments (B)		263,590	231,761	233,849	216,410	181,876	171,037	131,115	
Net outstanding claim liabilities (A) - (B)	3,128	5,173	7,107	10,663	12,830	17,437	51,189	152,807	260,334
Net outstanding claim liabilities for Brunei and Treaty Inward									58,741
Unallocated loss adjustment expenses									7,160
Best estimate of net claim liabilities									326,235
PRAD									45,921
Net Insurance Claim Liabilities as at 31 December 2019									372,156

39. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - gross insurance contract liabilities

Accident year	Before	As at 31 December							Total
	2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	
Estimate of gross cumulative claims:									
At the end of accident year		640,233	687,574	3,368,421	472,373	500,223	650,926	623,423	
1 year later		670,334	507,493	3,324,465	644,826	427,229	653,549		
2 years later		655,020	600,092	3,870,607	677,394	408,481			
3 years later		681,399	552,955	3,318,451	655,504				
4 years later		654,031	559,641	3,297,763					
5 years later		656,948	555,274						
6 years later		648,754							
Estimate of gross cumulative claims (A)		648,754	555,274	3,297,763	655,504	408,481	653,549	623,423	
Estimate of gross cumulative payments to date:									
At the end of accident year		229,494	167,692	1,120,319	117,553	115,349	228,447	114,737	
1 year later		359,755	307,101	1,383,292	382,244	249,580	417,498		
2 years later		472,739	408,804	1,774,084	441,823	315,396			
3 years later		531,619	483,555	1,923,898	482,763				
4 years later		554,919	494,548	2,003,707					
5 years later		598,787	509,307						
6 years later		600,238							
Gross cumulative payments (B)		600,238	509,307	2,003,707	482,763	315,396	417,498	114,737	
Gross outstanding claim liabilities (A) - (B)	101,540	48,516	45,967	1,294,056	172,741	93,085	236,051	508,686	2,500,642
Gross outstanding claim liabilities for Brunei and Treaty Inward									60,969
Unallocated loss adjustment expenses									5,850
Best estimate of gross claim liabilities									2,567,461
PRAD									196,986
Gross Insurance Claim Liabilities as at 31 December 2018									<u>2,764,447</u>

39. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - net of reinsurance

	Before	As at 31 December							
	2012	2012	2013	2014	2015	2016	2017	2018	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims:									
At the end of accident year		271,700	283,985	263,503	255,864	248,567	206,015	216,540	
1 year later		258,324	265,906	251,303	249,573	227,268	201,881		
2 years later		260,331	274,429	246,969	244,085	227,688			
3 years later		264,442	273,160	238,975	244,196				
4 years later		261,799	270,775	240,031					
5 years later		260,463	269,263						
6 years later		256,169							
Estimate of net cumulative claims (A)		256,169	269,263	240,031	244,196	227,688	201,881	216,540	
Estimate of net cumulative payments to date:									
At the end of accident year		113,841	131,720	113,052	105,240	109,745	95,787	105,268	
1 year later		211,743	224,674	195,128	197,502	183,464	161,937		
2 years later		239,069	244,820	215,245	220,400	207,112			
3 years later		247,803	255,638	225,251	229,927				
4 years later		251,671	259,964	231,551					
5 years later		252,483	261,876						
6 years later		253,119							
Net cumulative payments (B)		253,119	261,876	231,551	229,927	207,112	161,937	105,268	
Net outstanding claim liabilities (A) - (B)	2,969	3,050	7,387	8,480	14,269	20,576	39,944	111,272	207,947
Net outstanding claim liabilities for Brunei and Treaty Inward									60,145
Unallocated loss adjustment expenses									5,850
Best estimate of net claim liabilities									273,942
PRAD									41,830
Net Insurance Claim Liabilities as at 31 December 2018									315,772

40. FINANCIAL RISKS

(i) Credit Risk

Credit risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, underwriting, trading and investment activities from both on-balance sheet transactions and off-balance sheet transactions, if any.

Credit or spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of assets of these instruments. Changes in the level or in the volatility of both spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit risk arises when a borrower or counterparty is no longer able to pay their debt. The Company's exposure to credit risk arises mainly from fixed income investment activities.

The Company measures and manages credit risk following the philosophy and principles below:

- (a) The Risk Management and Investment Management Departments, actively aim to prevent undue concentration by ensuring its credit portfolio is diversified and marketable credit portfolio;
- (b) The asset management research team adopts a prudent position in the selection of fixed income investments;
- (c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and
- (d) The Risk Management Department uses Key Risk Indicators (KRI") to alert the management on impending problems in a timely manner.

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position which are subject to credit risks. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	2019	2018
	RM'000	RM'000
Financial assets at FVTPL		
Designated upon initial recognition		
Debt securities, structured products and NCDs	10,141	12,704
Financial assets at FVOCI		
Malaysian government paper	232,097	108,379
Debt securities, structured products and NCDs	698,526	614,087
Financial assets at AC		
Deposits and placements with:		
Licensed financial institutions	309,695	240,723
Others	15,000	5,051
Financing receivables	26,552	28,703
Reinsurance assets	2,693,212	2,446,033
Insurance receivables	320,600	346,730
Other assets	19,006	26,763
Derivative assets	-	82
Cash and bank balances	9,443	64,652
	4,334,272	3,893,907

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Credit quality of financial assets

The four (4) risk categories as set out and defined below, from very low to high, describe the credit quality of the Company's financial assets. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	BBB+ to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk category is as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.

Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(viii)(a).

Unrated Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.

Sovereign Refer to obligors which are governments and/or government-related agencies.

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Credit exposure by rating

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the Company's credit ratings of counterparties.

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2019							
Financial investments at FVTPL							
Designated upon initial recognition							
Debt securities, structured products and NCDs	-	-	10,141	-	-	-	10,141
Financial investments at FVOCI							
Malaysian government papers	232,097	-	-	-	-	-	232,097
Debt securities, structured products and NCDs	134,141	176,405	306,540	81,440	-	-	698,526
Financial investments at AC							
Deposits and placements with:							
Licensed financial institutions	-	304,492	5,203	-	-	-	309,695
Others	-	15,000	-	-	-	-	15,000
Financing receivables	-	-	-	-	-	26,552	26,552
Reinsurance assets*	-	-	446,376	1,067,558	2	1,179,276	2,693,212
Insurance receivables^^	-	-	2	7,773	-	312,825	320,600
Other assets	4,325	2,909	5,306	578	-	5,888	19,006
Cash and bank balances	-	8,207	-	(22)	-	1,258	9,443
	<u>370,563</u>	<u>507,013</u>	<u>773,568</u>	<u>1,157,327</u>	<u>2</u>	<u>1,525,799</u>	<u>4,334,272</u>

* Excluding premium liabilities

^^ Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "not rated" category.

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Credit exposure by rating (contd.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2018							
Financial investments at FVTPL							
(i) Designated upon initial recognition							
Debt securities, structured products and NCDs	-	7,676	5,028	-	-	-	12,704
Financial investments at FVOCI							
Malaysian government papers	108,379	-	-	-	-	-	108,379
Debt securities, structured products and NCDs	117,991	204,088	256,475	35,533	-	-	614,087
Financial investments at AC							
Deposits and placements with:							
Licensed financial institutions	-	177,957	62,766	-	-	-	240,723
Others	-	-	5,051	-	-	-	5,051
Financing receivables	-	-	-	-	-	28,703	28,703
Reinsurance assets*	-	339,910	1	652,327	20	1,453,775	2,446,033
Insurance receivables^^	-	537	-	237	-	345,956	346,730
Other assets	694	4,879	4,408	357	-	16,425	26,763
Derivative assets	-	82	-	-	-	-	82
Cash and bank balances	-	64,509	-	-	-	143	64,652
	<u>227,064</u>	<u>799,638</u>	<u>333,729</u>	<u>688,454</u>	<u>20</u>	<u>1,845,002</u>	<u>3,893,907</u>

* Excluding premium liabilities

^^ Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "not rated" category.

Financial investments such as Malaysian Government Papers and certain corporate debt securities are classified under the "not rated" category as these investments are issued by the government or guaranteed by the government and which are exempted from the requirement to be rated by rating agencies.

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Investment assets - reconciliation of allowance account

Significant increase in credit risk

The Company applies General Approach or "three-stage" approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate ("EIR") method with the forward looking element to compute the ECL.

The Company has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the Maybank Group's ECL model for debt securities portfolio.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12- month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to Company. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 months after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance measured for the Company during the year are mostly due to the debt security is classified as Watchlist ("WL") or downgraded bond whichever it is assesses at the reporting date.

The determination of whether a financial asset is credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Investment assets - reconciliation of allowance account (contd.)

The table below shows the fair value of the Company's financial investments measured by credit risk, based on the Company's risk categories.

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	
2019				
Financial assets at FVOCI				
Sovereign	366,238	-	-	366,238
Very low	176,405	-	-	176,405
Low	276,298	30,242	-	306,540
Medium	81,440	-	-	81,440
Carrying amount - fair value	900,381	30,242	-	930,623
Expected Credit Loss	(581)	(70)	(165)	(816)
2018				
Financial assets at FVOCI				
Sovereign	226,370	-	-	226,370
Very low	204,088	-	-	204,088
Low	226,604	29,871	-	256,475
Medium	35,533	-	-	35,533
Carrying amount - fair value	692,595	29,871	-	722,466
Expected Credit Loss	(514)	(72)	(200)	(786)

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Investment assets - reconciliation of allowance account (contd.)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Financial assets at FVOCI				
At 1 January 2019	514	72	200	786
Writeback	(133)	(18)	-	(151)
New financial assets originated or purchased	295	62	-	357
Financial assets that have been derecognised	(95)	(46)	(35)	(176)
At 31 December 2019	<u>581</u>	<u>70</u>	<u>165</u>	<u>816</u>
2018				
Financial assets at FVOCI				
At 1 January 2018	419	107	200	726
Net adjustment of loss allowance	2	(35)	-	(33)
New financial asset originated or purchased	314	-	-	314
Financial assets that have been derecognised	(221)	-	-	(221)
At 31 December 2018	<u>514</u>	<u>72</u>	<u>200</u>	<u>786</u>

40. FINANCIAL RISKS (CONTD.)

(i) Credit risk (contd.)

Other financial assets - reconciliation of allowance account

The Company apply Simplified Approach where the ECL is measured at initial recognition of the receivables using a provision matrix based on historical data or also known as roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance premium type's arrangement respectively with forward looking element being applied to it.

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

	Financing receivables RM'000 (Note 11)	Reinsurance assets RM'000 (Note 12)	Insurance receivables RM'000 (Note 13)	Other assets RM'000 (Note 14)	Total RM'000
2019					
Lifetime ECL					
As at 1 January 2019	5,507	2,642	1,593	2	9,744
Net adjustment of loss allowance	(362)	9,192	3,125	(2)	11,953
At 31 December 2019	<u>5,145</u>	<u>11,834</u>	<u>4,718</u>	<u>-</u>	<u>21,697</u>
2018					
Lifetime ECL					
At 1 January 2018	5,370	1,924	8,247	2	15,543
Net adjustment of loss allowance	137	718	(6,654)	-	(5,799)
At 31 December 2018	<u>5,507</u>	<u>2,642</u>	<u>1,593</u>	<u>2</u>	<u>9,744</u>

Financial effects of collateral held

The main types of collateral obtained by the Company to mitigate credit risk are as follows:

Type of financing receivables

Secured staff/non-staff loans

Type of collaterals

Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 100% as at 31 December 2019 (2018: 100%). The financing receivables amounting to RM26,552,000 as at 31 December 2019 (2018: RM28,703,000) are collateralised.

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity risk

Liquidity risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The objective of liquidity risk management is to have sufficient cash availability to meet policyholders' liabilities, such as surrenders, withdrawal, claims and the maturity benefits, and other contract holders without endangering the business financials due to constraints on liquidating assets.

The Company measures and manages liquidity risk following the philosophies and principles below:

- (a) The Risk Management and Investment Management Departments are actively monitoring the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform;
- (b) The Investment Management Department ensures that the established investment limits allow for reasonable liquidity requirements at all times; and
- (c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

Maturity profiles

The table below summarises the maturity profile of the financial and insurance assets and liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For Insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analyses as there are no contractual obligations to make payments on these liabilities.

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity risk (contd.)

Maturity profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Financial assets at:						
FVTPL	143,437	475	7,168	5,268	133,296	146,207
FVOCI	930,623	132,443	361,635	885,536	-	1,379,614
AC	324,695	324,695	-	-	-	324,695
Financing receivables	26,552	3,536	10,932	16,824	-	31,292
Reinsurance assets*	2,693,211	2,111,661	593,380	5	-	2,705,046
Insurance receivables	320,600	320,600	-	-	-	320,600
Other assets	69,969	19,006	-	-	-	19,006
Cash and bank balances	9,443	-	-	-	9,443	9,443
Total assets	4,518,530	2,912,416	973,115	907,633	142,739	4,935,903
Insurance contract liabilities*	3,077,246	2,410,497	666,516	234	-	3,077,246
Insurance payables	424,248	424,248	-	-	-	424,248
Other liabilities	81,682	78,560	3,854	215	-	82,629
Total liabilities	3,583,176	2,913,305	670,370	449	-	3,584,123

* Excluding premium liabilities

40. FINANCIAL RISKS (CONTD.)

(ii) Liquidity risk (contd.)

Maturity profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2018						
Financial assets:						
FVTPL	139,276	15,281	-	-	126,572	141,853
FVOCI	722,466	70,677	370,125	644,031	-	1,084,833
AC	245,774	245,774	-	-	-	245,774
Financing receivables	28,703	4,373	12,689	25,257	-	42,319
Reinsurance assets*	2,446,033	1,817,403	631,267	5	-	2,448,675
Insurance receivables	346,730	346,730	-	-	-	346,730
Other assets	83,161	26,763	-	-	-	26,763
Derivative assets	82	82	-	-	-	82
Cash and bank balances	64,652	-	-	-	64,652	64,652
Total assets	4,076,877	2,527,083	1,014,081	669,293	191,224	4,401,681
Insurance contract liabilities*	2,764,447	2,069,151	695,143	154	-	2,764,448
Insurance payables	403,846	403,846	-	-	-	403,846
Other liabilities	96,694	96,694	-	-	-	96,694
Total liabilities	3,264,987	2,569,691	695,143	154	-	3,264,988

* Excluding premium liabilities

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

40. FINANCIAL RISKS (CONTD.)

(iii) Market risk

Market risk is the risk of loss or of adverse change in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market risk comprises three (3) types of risk:

- (a) foreign exchange rates (currency risk);
- (b) market interest rates; and
- (c) equity price risk

The Company has three main key features in respect of its market risk management practices and policies:

- (a) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.
- (b) Compliance with the policies is monitored and exposures and breaches are reported as soon as practical.
- (c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in RM and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013 and hence, primarily denominated in the same currency (the local "RM") as its insurance contract liabilities.

The Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

40. FINANCIAL RISKS (CONTD.)

(iii) Market risk

(b) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Interest rate risks arise from exposures to interest rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages the interest rate risk mainly based on the following three philosophies and principles.

- (a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;
- (b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality; and
- (c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

Changes in variables	<-----2019----->		<-----2018----->	
	Impact		Impact	
	on profit	Impact	on profit	Impact
	before tax	on equity*	before tax	on equity*
	RM'000	RM'000	RM'000	RM'000
			(Decrease)/increase	
+100 basis points	(609)	(57,808)	(1,079)	(39,552)
-100 basis points	609	57,808	1,079	39,552

* Impact on equity is after tax of 24%.

(c) Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

40. FINANCIAL RISKS (CONTD.)

(iii) Market risk

(c) Equity price risk (contd.)

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, which principally comprise all investment securities.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may incur over time.

	Changes in variables	<-----2019----->		<-----2018----->	
		Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Bursa Malaysia	+10%	4,993	3,795	4,303	3,271
	-10%	(4,993)	(3,795)	(4,303)	(3,271)

* Impact on equity is after tax of 24%.

(iv) Concentration risk

Concentration risk refers to the risk associated with the potential losses associated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Company and its core operations (causing material adverse impact to the earnings, capital or total assets).

Concentration risk relates to non-diversified portfolios and arises due to excessive exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The Company's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, market and issuer, having regard also to such limits stipulated by BNM.

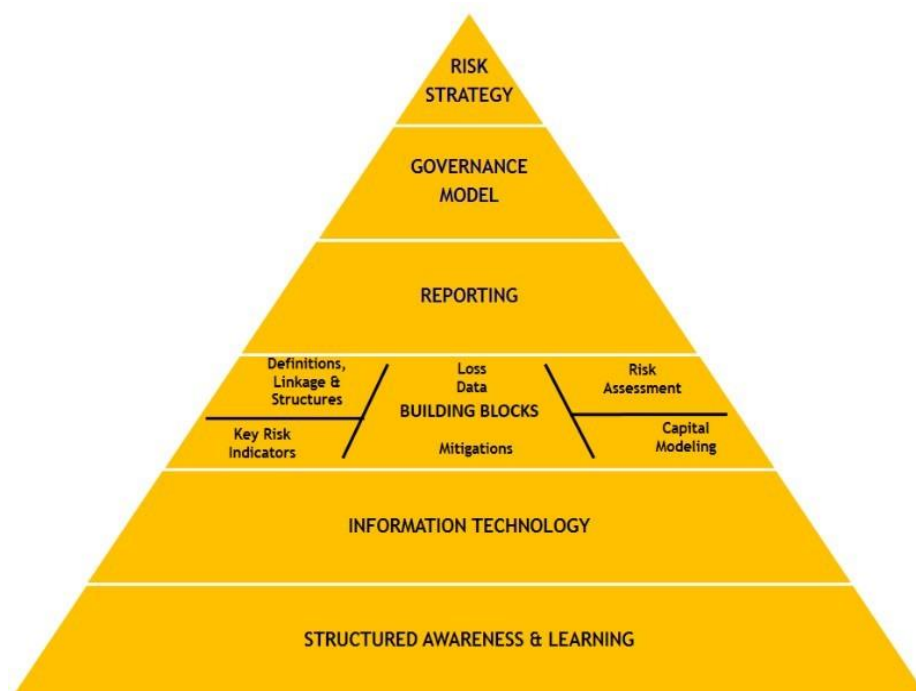
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

41. OPERATIONAL RISK

Operational Risk Management ("ORM") is the discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The methodology and components adopted in operational risk are summarised in the diagram below:



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective operational risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the operational risks that affect the Company are established. Those include among other things: Risk and Control Self-Assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and Cyber Risk related assessment through awareness and learning programme.

Operational risk taxonomy

(i) Internal fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

41. OPERATIONAL RISK (Contd.)

Operational risk taxonomy (contd.)

(ii) External fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External fraud could arise from system security risk, i.e. failure to provide a secure system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

(iii) Employment practices and workplace safety

- (i) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation, and low morale;
- (ii) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and
- (iii) Diversity and discrimination - failure to provide equalities in the employment practice.

(iv) Client or products and business practices

This risk covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure, and advisory activities.

(v) Damage to physical assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business disruption and system failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

(vii) Execution or delivery and process management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

41. OPERATIONAL RISK (Contd.)

Operational risk taxonomy (contd.)

(viii) Information technology and cyber risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber risk that can lead to losses due to cyber-crime and cyber terrorism.

(ix) People and performance risk

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

(x) Model risk

Risk of a model not performing the tasks or capture the risks it was designed to.

(xi) Information risk

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

(xii) Legal risk

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

42. ENTERPRISE RISK

Risk of loss or adverse impact arising from business / strategic, industry, corporate governance and systemic risk. It covers external and internal factors that can impact the Company's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision making and management or due to loss of reputation. Enterprise Risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real/entire economy.

43. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy;
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
- (e) Movements of Level 3 instruments; and
- (f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Company determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Company has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Company continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

43. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

- Level 2 : No Active Market – Valuation techniques using observable input

Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Examples of Level 2 financial instruments include corporate and government bonds, less liquid equities and over-the-counter ("OTC") derivatives.

- Level 3 : No Active Market – Valuation techniques using unobservable input

Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with Level 2. The chosen valuation technique incorporates management's assumptions and data.

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

(b) Valuation techniques

(i) Cash and cash equivalents and other assets/liabilities

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest rates which are comparable with the rates offered on similar instruments in the market and to counter parties with similar credit profiles. Accordingly, the carrying amounts of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(x) and 2.2(xvi). The carrying amounts approximate fair values due to the short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(vi) and 2.2(viii)(a). The carrying amounts and fair values of investments are disclosed in Note 10 to the financial statements.

43. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques (contd.)

(v) Investment properties

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

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

	Valuation techniques used:			Total RM'000
	Level 1 Using quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
2019				
<u>Assets</u>				
Investment properties	-	-	283,920	283,920
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Equity securities	49,781	-	83,515	133,296
Debt securities, structured products and NCDs	-	10,141	-	10,141
Financial assets at FVOCI				
Malaysian government papers	-	232,097	-	232,097
Debt securities, structured products and NCDs	-	698,526	-	698,526
Total assets	49,781	940,764	367,435	1,357,980

43. FAIR VALUE MEASUREMENTS (CONTD.)

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

	Valuation techniques used:			Total RM'000
	Level 1 Using quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
2018				
<u>Assets</u>				
Investment properties	-	-	270,757	270,757
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities, structured products and NCDs	-	12,704	-	12,704
(ii) HFT				
Equity securities	42,882	-	83,690	126,572
Financial assets at FVOCI				
Malaysian government papers	-	108,379	-	108,379
Debt securities, structured products and NCDs	-	614,087	-	614,087
Derivative assets	-	82	-	82
Total assets	42,882	735,252	354,447	1,132,581

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2019.

43. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 instruments

	Investment Properties	Financial instrument measured at fair value
		Designated at FVTPL
2019	RM'000	RM'000
At 1 January 2019	270,757	83,690
Recognised in the income statement:		
Fair value gain (Note 27)	13,163	(175)
At 31 December 2019	<u>283,920</u>	<u>83,515</u>
 Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting year	 <u>13,163</u>	 <u>(175)</u>

	Investment Properties	Financial instruments measured at fair value
		Designated at FVTPL
2018	RM'000	RM'000
At 1 January 2018	112,734	-
As previously restated, at cost	-	45,502
Effect of adopting MFRS 9	-	34,770
As at 1 January 2018, restated	<u>112,734</u>	<u>80,272</u>
Recognised in the income statement:		
Fair value gain (Note 27)	17,978	3,418
Disposal/sales	(520)	-
Transfer from property, plant and equipment	96,635	-
Transfer from prepaid land lease payments	43,930	-
At 31 December 2018	<u>270,757</u>	<u>83,690</u>
 Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting year	 <u>17,978</u>	 <u>3,418</u>

43. FAIR VALUE MEASUREMENTS (CONTD.)

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

(i) Investment properties

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

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

All investment properties of the Company carried at fair values were classified under Level 3. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach.

	Valuation Method	Significant unobservable inputs	Range
2019			
Building	Income capitalisation	Rental per square foot	RM1.68 to RM4.50
Land	Comparison	Sales price per square foot for similar properties	RM3,226.98
Shoplots	Comparison	Sales price per square foot for similar properties	RM50.00 to RM974.66
2018			
Building	Income capitalisation	Rental per square foot	RM1.68 to RM4.50
Land	Comparison	Sales price per square foot for similar properties	RM3,008.61
Shoplots	Comparison	Sales price per square foot for similar properties	RM48.13 to RM945.42

43. FAIR VALUE MEASUREMENTS (CONTD.)

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

(i) Investment properties (contd.)

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.

A significant increase or decrease in the unobservable input used in the valuation would result in a correspondingly higher or lower fair value of the investment properties.

43. FAIR VALUE MEASUREMENTS (CONTD.)

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

(ii) Unquoted Equity Instruments

All unquoted equity instruments of the Company at fair values were classified under Level 3. Investments in unquoted equity instrument that do not have quoted market prices in an active market, the fair value are measured based on the net asset method by referencing to the annual financial statement of the entity that the company invested in.

The analysis below is performed for reasonably possible movements in the net asset value:

Net asset value	Changes in variables	Impact to Investments RM'000 Increase/ (decrease)	Impact on profit before tax RM'000 Increase/ (decrease)	Impact on equity* RM'000 Increase/ (decrease)
2019	+5%	4,175	4,175	3,174
	-5%	(4,175)	(4,175)	(3,174)
2018	+5%	4,184	4,184	3,180
	-5%	(4,184)	(4,184)	(3,180)

* Impact on equity is computed after tax at the statutory tax rate.

44. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2019 and 31 December 2018, as prescribed under the RBC Framework, are provided below:

	2019 RM'000	2018 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	229,879	229,879
Reserves, including retained earnings	714,629	637,858
	<u>944,508</u>	<u>867,737</u>
Tier 2 Capital		
Revaluation reserve	76,391	76,391
Available-for-sale reserves	28,710	1,197
Currency translation reserve	13,969	13,876
	<u>119,070</u>	<u>91,464</u>
Amount deducted from Capital	<u>(36,703)</u>	<u>(76,369)</u>
Total Capital Available	<u>1,026,875</u>	<u>882,832</u>

45. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

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

Statement of financial position disclosure

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

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

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

Income statement disclosures

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

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

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

Other comprehensive income disclosures

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

Statement of cash flows disclosures

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

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

46. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Assets:</u>						
Property, plant and equipment	15,914	9,188	430	455	15,484	8,733
Investment properties	283,920	270,757	148,590	139,330	135,330	131,427
Prepaid land lease payments	-	-	-	-	-	-
Right of Use Assets	6,428	-	-	-	6,428	-
Intangible assets	36,703	41,369	-	-	36,703	41,369
Investment in associate	152	152	152	152	-	-
Investments	1,398,755	1,107,516	722,544	624,022	676,211	483,494
Financing receivables	26,552	28,703	25,619	27,620	933	1,083
Reinsurance assets	2,953,227	2,703,348	-	-	2,953,227	2,703,348
Insurance receivables	320,600	346,730	-	-	320,600	346,730
Other assets	70,204	90,856	8,164	11,280	62,040	79,576
Derivative assets	-	82	-	-	-	82
Current tax assets	90,019	73,949	32,116	21,224	57,903	52,725
Cash and bank balances	9,443	64,652	47	4,385	9,396	60,267
	<u>5,211,917</u>	<u>4,737,302</u>	<u>937,662</u>	<u>828,468</u>	<u>4,274,255</u>	<u>3,908,834</u>
Total Assets	5,211,917	4,737,302	937,662	828,468	4,274,255	3,908,834

46. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Company		Shareholder's Fund		General Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Equity and liabilities:</u>						
Share capital	229,879	229,879	229,879	229,879	-	-
Reserves	833,699	729,322	833,699	729,322	-	-
Total Equity	1,063,578	959,201	1,063,578	959,201	-	-
Insurance contract liabilities	3,596,928	3,243,212	-	-	3,596,928	3,243,212
Deferred tax liabilities, net	42,742	34,349	20,932	13,297	21,810	21,052
Insurance payables	424,248	403,846	-	-	424,248	403,846
Other payables ¹	81,682	96,694	(149,587)	(144,030)	231,269	240,724
Current tax liabilities	2,739	-	2,739	-	-	-
Total Liabilities	4,148,339	3,778,101	(125,916)	(130,733)	4,274,255	3,908,834
Total Equity and Liabilities	5,211,917	4,737,302	937,662	828,468	4,274,255	3,908,834
Inter fund balances	-	-	(159,025)	(163,126)	159,025	163,126

¹ Included in other liabilities is amounts due to shareholders funds which are unsecured, not subject to any interest elements and are repayable on demand.

46. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	1,365,603	1,274,658	28,772	34,662	1,336,831	1,239,996
Gross earned premiums	1,264,264	1,148,396	-	-	1,264,264	1,148,396
Earned premiums ceded to reinsurers	(764,324)	(722,915)	-	-	(764,324)	(722,915)
Net earned premiums	499,940	425,481	-	-	499,940	425,481
Fee and commission income	71,508	61,481	-	-	71,508	61,481
Investment income	60,378	59,581	28,772	34,662	31,606	24,919
Realised gains/(losses)	1,340	(11,325)	2,537	(7,181)	(1,197)	(4,144)
Fair value gains/(losses)	16,201	19,837	10,630	20,742	5,571	(905)
Other operating income, net^	2,074	20,995	6,698	4,209	(4,624)	16,786
Other revenue	151,501	150,569	48,637	52,432	102,864	98,137
Gross benefits and claims paid^	(647,853)	(520,768)	-	-	(647,853)	(520,768)
Claims ceded to reinsurers	407,486	294,449	-	-	407,486	294,449
Gross change in contract liabilities	(312,755)	(54,011)	-	-	(312,755)	(54,011)
Change in contract liabilities ceded to reinsurers	256,371	61,383	-	-	256,371	61,383
Net benefits and claims	(296,751)	(218,947)	-	-	(296,751)	(218,947)
Management expenses	(154,117)	(139,541)	(6,012)	(4,862)	(148,105)	(134,679)
Fee and commission expenses	(95,688)	(85,956)	-	-	(95,688)	(85,956)
Interest on subordinated obligation	-	(10,532)	-	(10,532)	-	-
Other expenses	(249,805)	(236,029)	(6,012)	(15,394)	(243,793)	(220,635)
Surplus for the year	104,885	121,074	42,625	37,038	62,260	84,036
Taxation	(28,114)	4,554	(13,270)	21,730	(14,844)	(17,176)
Net profit for the year	76,771	125,628	29,355	58,768	47,416	66,860
Surplus transfer (net of tax) from General Funds	-	-	47,416	66,860	(47,416)	(66,860)
Net profit for the year	76,771	125,628	76,771	125,628	-	-

46. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:						
Operating activities	127,637	538,573	79,704	451,487	47,933	87,086
Investing activities	(180,850)	(46,877)	(84,042)	9,984	(96,808)	(56,861)
Financing activities	(1,996)	(460,650)	-	(460,650)	(1,996)	-
Net increase in cash and cash equivalents	(55,209)	31,046	(4,338)	821	(50,871)	30,225
Cash and cash equivalents:						
Cash and cash equivalents at beginning of financial year	64,652	33,606	4,387	3,566	60,265	30,040
Cash and cash equivalents at end of financial year	9,443	64,652	49	4,387	9,394	60,265