MAYBANK AGEAS HOLDINGS BERHAD
(33361-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2018

33361-W

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of shared services to its subsidiaries on a reimbursement basis. The principal activities and other information relating to the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than disclosed in Note 1.

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to the equity holders of the Company	699,008	(10,077)

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 Group and Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2017 were as follows:

	RM'000
In respect of financial year ended 31 December 2017, final dividend of:	
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	250,241

The final dividend was declared on 3 April 2018 and paid on 26 July 2018.

DIVIDENDS (CONTD.)

At the forthcoming Annual General Meeting ("AGM"), final dividend in respect of the financial year ended 31 December 2018, 99.30 sen per ordinary share on 252,005,522 ordinary shares, amounting to a dividend payable of RM250,241,483 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect proposed final dividend. Such dividend, subject to Bank Negara Malaysia ("BNM") and AGM's approval, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

MAYBANK GROUP EMPLOYEE SHARE SCHEME ("ESS")

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

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

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

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS

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

Datuk R. Karunakaran (Chairman)
Mr. Bart K. A. De Smet (Vice Chairman)
Mr. Gary Lee Crist
Dato' Johan Ariffin
Dato' Amirul Feisal Wan Zahir
Dato' Majid Mohamad
Datuk Mohd Najib Abdullah (Appointed on 1 July 2018)

Pursuant to Article 72 of the Company's Constitution, the directors are not subject to retirement by rotation.

DIRECTORS OF SUBSIDIARIES

The following is a list of directors of the subsidiaries in office as at the date of this report:

Subsidiaries	Directors
Etiqa General Insurance Berhad ("EGIB")	Datuk Mohd Najib Abdullah Mr. Philippe Pol Arthur Latour Dato' Johan Ariffin Mr. Loh Lee Soon Mr. Frank J.G. Van Kempen Puan Nora Abd. Manaf Mr. Koh Heng Kong
Etiqa Life Insurance Berhad ("ELIB")	Datuk Mohd Najib Abdullah Mr. Philippe Pol Arthur Latour Dato' Johan Ariffin Mr. Loh Lee Soon Mr. Frank J.G. Van Kempen Puan Nora Abd. Manaf Mr. Wong Pakshong Kat Jeong Colin Stewart

DIRECTORS OF SUBSIDIARIES (CONTD.)

The following is a list of directors of the subsidiaries in office as at the date of this report (Contd.):

Subsidiaries (Contd.)	Directors
Etiqa Family Takaful Berhad ("EFTB")	Dato' Majid Mohamad Mr. Philippe Pol Arthur Latour Dato' Johan Ariffin Dato' Mohamed Rafique Merican Dr. Abdul Rahim Abdul Rahman Mr. Wong Pakshong Kat Jeong Colin Stewart
Etiqa General Takaful Berhad ("EGTB")	Dato' Majid Mohamad Mr. Philippe Pol Arthur Latour Dato' Johan Ariffin Mr. Koh Heng Kong Dato' Mohamed Rafique Merican Dr. Abdul Rahim Abdul Rahman
Etiqa Offshore Insurance (L) Ltd ("EOIL")	Datuk Sulaiman Salleh Mr. Frank J.G. Van Kempen Mr. Lee Hin Sze
Etiqa Life International (L) Ltd ("ELIL")	Datuk Sulaiman Salleh Mr. Frank J.G. Van Kempen Mr. Lee Hin Sze
Etiqa Overseas Investment Pte Ltd ("EOIP")	Encik Ahmad Shaifuldin Mahamad Sharudi
Etiqa Insurance Pte Ltd ("EIPL")	Dato' Mohd Salleh Haji Harun Encik Kamaludin Ahmad Mr. Frank J.G. Van Kempen Mr. Wong Pakshong Kat Jeong Colin Stewart Haji Salim Abd. Kadir Dr. John Lee Hin Hock
Double Care Sdn. Bhd. ("DCSB") (Under members' voluntary winding-up)	Dato' Aminuddin Bin Md Desa Hans De Cuyper

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Notes 33 and 42 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 maintained on 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	
Limit of Liability - Group Policy	**2018 Gross Premium (RM'000)**	**2017 Gross Premium (RM'000)**
RM 250 Million	1,135	1,060

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares			
	As at 1.1.2018/ Date of Appointment	**Issued pursuant to RSU**	**DRP***	**As at 31.12.2018**
Ultimate Holding Company				
Direct interest:				
Dato' Johan Ariffin	305,162	-	3,467	308,629
Dato' Amirul Feisal Wan Zahir	-	66,702	-	66,702
Datuk Mohd Najib Abdullah	3,839	-	43	3,882

* DRP = Dividend Reinvestment Plan

DIRECTORS' INTERESTS (CONTD.)

		Number of shares options from ESOS over ordinary shares				
	Original Exercise Price RM	Granted	Vested as at 1.1.2018	Vested	Exercised	Vested as at 31.12.2018
Dato' Amirul Feisal Wan Zahir	9.28#	700,000	450,000	250,000	(700,000)	-

Revised to RM9.28 on 1 November 2016 based on the revision to ESOS Fifth Grant's exercise price.

		Number of RSU of ordinary shares				
	Grant Date	Granted	Outstanding as at 1.1.2018	Vested during the financial year	Not vested during the financial year	Outstanding as at 31.12.2018
Dato' Amirul Feisal Wan Zahir	30.4.2015	75,000	75,000	(66,702)	(8,298)	-

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

	Award date	Number of ESGP shares awarded
Dato' Amirul Feisal Wan Zahir	14.12.2018	104,000

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 have complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance as disclosed from page 10 to 28.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and income statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and

(iii) to ascertain that there was adequate provision for the insurance contract and takaful certificate liabilities of the insurance and takaful subsidiaries in accordance with:

(i) Malaysia operations
The valuation method specified in the Risk-Based Capital Framework for Insurers and Takaful Operators issued by BNM; and

(ii) Singapore operations
The valuation method specified in the Singapore Insurance Act and Insurance (Valuation and Capital) Regulations 2004.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and 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 Group and 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 Group and 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 Group or 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 Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent 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 Group or of the Company to meet their 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 Group or of the Company for the financial year in which this report is made.

(g) Before the statement of financial position, income statements and statement of other comprehensive income of the Group and the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its Insurance and Takaful liabilities in accordance with:

(i) Malaysia operations
The valuation method specified in the Risk-Based Capital Framework for Insurers and Takaful Operators issued by BNM; and

(ii) Singapore operations
The valuation method specified in the Singapore Insurance Act and Insurance (Valuation and Capital) Regulations 2004.

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

SIGNIFICANT EVENT

There were no significant events which have occurred during the financial year other than disclosed in Note 1 and Note 50 to the financial statements.

SUBSEQUENT EVENT

There were no subsequent events which have occurred that would require adjustment or disclosure in the financial statements.

AUDITORS

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

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2019.

DATUK R. KARUNAKARAN

DATO' AMIRUL FEISAL WAN ZAHIR

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors ("the Board") of Maybank Ageas Holdings Berhad ("the Company") or ("the Group") acknowledges the importance of robust and sound Corporate Governance ("CG") Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment, the Board continuously strives to refine the Group's CG practices and processes in ensuring high standards of transparency, integrity and honesty.

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

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

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

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

(a) Board Composition

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

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

The Composition of the Board meets the requirement of having a majority of independent directors as set out in the BNM CG Policy. Datuk R. Karunakaran, an INED, is the Chairman of the Board, while Dato' Amirul Feisal Wan Zahir is the only ED on the Board and the two NINEDs are nominees of Ageas Insurance International N.V. ("Ageas"), a shareholder of the Company.

The Board is committed in ensuring diversity and inclusiveness in its composition and deliberations and the Company embraces the proposition that having a diverse Board would have a positive, value-added impact on the Group. 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 quarterly basis, and the meeting dates are scheduled well in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on ad hoc basis to consider urgent matters. All Directors attended more than 75% of Board meeting held during the financial year.

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

(a) Board Composition (Contd.)

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

Members of the Board	Designation	Number of Board meetings attended	%
Datuk R. Karunakaran (Chairman)	INED	6/6	100
Mr. Bart K.A. De Smet (Vice Chairman)	NINED	6/6	100
Dato' Amirul Feisal Wan Zahir	ED	5/6	83
Mr. Gary Lee Crist	NINED	6/6	100
Dato' Johan Ariffin	INED	6/6	100
Dato' Majid Mohamad	INED	6/6	100
Datuk Mohd Najib Abdullah*	INED	3/3	100

* appointed on 1 July 2018

Profile of Directors

Name/ Designation/ Age /Nationality	Background/ Experience	Other Directorships within the Group
Datuk R. Karunakaran Independent Non-Executive Director Chairman 68 years of age Malaysian	Public Administration	• Chairman of Etiqa Life Insurance Berhad • Chairman of Etiqa General Insurance Berhad *(ceased as Director and Chairman in both companies w.e.f. 31 December 2018)*
Mr. Bart K.A. De Smet Non-Independent Non-Executive Director Vice-Chairman 61 years of age Belgian	Insurance	Nil

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

(a) Board Composition (Contd.)

Profile of Directors (Contd.)

Name/ Designation /Age /Nationality	Background/ Experience	Other Directorships within the Group
Dato' Amirul Feisal Wan Zahir Executive Director 49 years of age Malaysian	Banking	Nil
Mr. Gary Lee Crist Non-Independent Non-Executive Director 61 years of age U.S. Citizen	Corporate Management	Nil
Dato' Johan Ariffin Independent Non-Executive Director 59 years of age Malaysian	Property Development & Banking	• Director of Etiqa Life Insurance Berhad • Director of Etiqa General Insurance Berhad • Director of Etiqa Family Takaful Berhad • Director of Etiqa General Takaful Berhad
Dato' Majid Mohamad Independent Non-Executive Director 64 years of age Malaysian	Banking & Insurance	• Chairman of Etiqa Family Takaful Berhad • Chairman of Etiqa General Takaful Berhad

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

(a) Board Composition (Contd.)

Profile of Directors (Contd.)

Name/ Designation /Age /Nationality	Background/ Experience	Other Directorships within the Group
Datuk Mohd Najib Abdullah Independent Non-Executive Director 58 years of age Malaysian	Banking & Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa General Insurance Berhad *(appointed as Chairman for both companies w.e.f. 1 January 2019)*

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.

(b) Roles and Responsibilities of the Board

The business and affairs of the Group 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 Group. The Board also sets the Group's core values, adopts proper standards to ensure that the Group 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).

(c) Board Committees Composition and Roles & Responsibilities

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

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

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

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

(i) Nomination and Remuneration Committee

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

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

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

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

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

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

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

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

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

(i) Nomination and Remuneration Committee (Contd.)

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

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

(ii) Audit Committee of the Board

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

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

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

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

Members of ACB	Designation	Number of ACB Meetings attended	%
Mr. Loh Lee Soon[1] (Chairman)	INED	8/8	100
Mr. Gary Lee Crist	NINED	7/8	88
Mr. Koh Heng Kong[2]	INED	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart[3]	INED	8/8	100

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

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

(ii) Audit Committee of the Board (Contd.)

1 Director of Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad, wholly-owned subsidiaries of the Company.
2 Director of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.
3 Director of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (Incorporated in Singapore), wholly-owned subsidiaries of the Company.

(iii) Risk Management Committee

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

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

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

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

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

1 Director of Etiqa General Insurance Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.
2 Director of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (Incorporated in Singapore), wholly-owned subsidiaries of the Company.

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

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

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

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

1 Director of Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.

2 Director of Etiqa Life Insurance Berhad, Etiqa General Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.

(v) Board Oversight Committee of Information Technology

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

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

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

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

(v) Board Oversight Committee of Information Technology (Contd.)

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

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

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

Members of BOC IT	Designation	Number of BOC IT Meetings attended	%
Mr. Loh Lee Soon[1] (Chairman)	INED	7/7	100
Mr. Philippe Pol Arthur Latour[2]	NINED	4/7	57
Encik Kamaludin Ahmad[3]	Member	7/7	100
Encik Mohd Suhail Amar Suresh[4]	Member	7/7	100
Mr. Hans Van Wuijckhuijse[5]	Member	7/7	100

1 Director of Etiqa Life Insurance Berhad and Etiqa General Insurance Berhad, wholly-owned subsidiaries of the Company.
2 Director of Etiqa Life Insurance Berhad, Etiqa General Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad, wholly-owned subsidiaries of the Company.
3 CEO of the Company.
4 Group Chief Technology Officer, Maybank.
5 Regional Director, Business Development Ageas Asia.

(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").

(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/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

(ii) Training Attended by Directors

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

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

Training attended by Directors	DK[1]	BDS[2]	DAF[3]	GLC[4]	DJA[5]	DMM[6]	DMN[7]
A. In-house Training							
1. Induction Programme.							√
2. Etiqa Compliance Conference 2018.	√		√		√	√	
3. Etiqa Board Risk Workshop.	√		√	√	√	√	√
4. Etiqa Offsite presentation: (a) How Technology is Changing the Business Paradigm by Willis Towers Watson; (b) Using Technology to deliver what the customer wants; (c) Making Etiqa a high performance organization; and (d) Merger & Acquisition for Etiqa.	√		√	√	√	√	√
5. Maybank Compliance Training Program for Board Members and Senior Management.	√		√		√	√	√
6. Maybank Offsite Ideation Workshop – Understanding our customers and crafting the new digital experience by M2U.			√				
7. Maybank - Board Risk Workshop 2018.					√		
8. Ageas Partnership Days 2018.	√	√	√	√	√	√	√
9. Ageas Leaders forum		√					
10. Ageas Management Forum		√					

1 DK - Datuk R. Karunakaran
2 BDS - Mr. Bart K.A. De Smet
3 DAF - Dato' Amirul Feisal Wan Zahir
4 GLC - Mr. Gary Lee Crist
5 DJA - Dato' Johan Ariffin
6 DMM - Dato' Majid Mohamad
7 DMN - Datuk Mohd Najib Abdullah

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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

(d) Directors' Training (Contd.)

(ii) Training Attended by Directors (Contd.)

Training attended by Directors (Contd.)	DK[1]	BDS[2]	DAF[3]	GLC[4]	DJA[5]	DMM[6]	DMN[7]
B. External Training							
1. 2018 FIDE Elective Programme -Understanding Fintech and its Implications to Insurance Companies.	√						
2. FIDE Forum Board Conversations (Bank and Insurance/Takaful).						√	
3. FIDE Forum – Managing Cyber Risks in Financial Institution.						√	
4. FIDE Forum -1st PIDM (a) Is the financial system any safer, simpler or fairer than before dialogue. (b) Greek lesson to banking world.	√						
5. FIDE Forum: Identifying Your Next Board Talent - Optimising Board Composition and Board Director Recruitment					√		
6. FIDE Forum Annual Dialogue with the Deputy Governor of BNM.						√	
7. FIDE Luncheon Talk on I Think Malaysia.						√	
8. FIDE Dinner Talk – The Director as Coach by Dr. Marshall Goldsmith.						√	
9 FIDE Module B.			√				
10. PIDM Dialogue with the Board Members of Life Insurance Companies – Briefing on Differential Levy System Framework to the Board of Directors.					√		
11. 3rd Asean Insurance Summit.						√	
12. Vlerick Insurance Talks.		√					
13. Decavi Insurance CEO event		√					
14. The Takaful Rendezvous 2018.						√	
15. "Takaful Minds & Its Algorithm in the Takaful Industry" - Session with Datuk Dr Mohd Daud Bakar.					√	√	
16. Takaful Executive Development Program: Value Based Intermediation in Takaful					√	√	
17. Bursa CG Breakfast Session: MCCG Reporting and CG Guide.	√						
18. Islamic Stockbroking by Bursa Malaysia.							√
19. IIFM Seminar on Islamic Financial Markets.						√	
20. International Institute of Finance 2018.			√				
21. Deloitte Global summit on the Financial Services Industry.		√					
22. Governance Financial Sector.		√					
23. Retour sur les prochaines crises financieres 'Back on the next financial crisis'		√					
24. From Recovery to Sustainable Growth Seminar.		√					
25. International Sustainability Congress.		√					
26. INSEAD Artificial Intelligence & Technology Development Leadership Programme.	√						
27. INSEAD – Digital Upskilling with Excos.			√				
28. Fintech – Disruption to be embraced.						√	
29. Win the Innovation Race: Unlocking the Creativity Power of Asians.						√	

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

(d) Directors' Training (Contd.)

(ii) Training Attended by Directors (Contd.)

Training attended by Directors (Contd.)	DK[1]	BDS[2]	DAF[3]	GLC[4]	DJA[5]	DMM[6]	DMN[7]
B. External Training (Contd.)							
30. Security Summit.		√					
31. Shift 18.		√					
32. Board Receptive on Cyber Resilience.	√						
33. ICDM PowerTalk By Professor CK Low – Would A Business Judgement Rule Help Directors Sleep Better At Night?					√		
34. CEO summit.		√					
35. Guberna Roundtable.		√					
36. Distinguished Board Leadership Series.						√	
37. Leadership in Banking.		√					
38. Young Leaders, Inspiring Mentors Seminar.		√					
39. Strategy Course.		√					
40. ALCO Indonesia Workshop for Board embedding financial crime risk.			√				
41. The Review of Solvency II.		√					
42. Utilisation of ERM for Commercial Sustainability, Agility and Resilience.					√		
43. Internal Capital Adequacy Assessment Process Workshop by PwC.							√
44. World Capital Market Symposium – Renaissance of Capitalism.						√	
45. Capital at Work Seminar.		√					
46. Investing in Integrated Strata Development Briefing: Understanding Owner's Rights and Obligations under the Strata Titles Act 1985 and Strata Management Act 2013.					√		
47. 2018 Invest Malaysia – Connecting Strength Advancing Performance.	√					√	
48. Malaysia: A New Dawn 2018 Conference.	√				√	√	
49. Singularity University Global Summit.		√					
50. The Future of Europe/M. Vestager, European Commissioner of Competition.		√					
51. Informal Summit of Flanders.		√					
52. Solvay Congress.		√					
53. 29th Annual Palm and Lauric Oils Conference.	√						
54. Harvard Advance Management Program for Leaders at Harvard Business School.			√				

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(3) INTERNAL CONTROL FRAMEWORK

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

(4) REMUNERATION - QUALITATIVE DISCLOSURES

a) Board Performance

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

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

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

The remuneration package of NEDs consists of the following:

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

b) Senior Management Appointment and Performance

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

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

a) Non-Executive Directors' Remuneration

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

Remuneration	Per Annum (RM)
(i) Fees	
Board:	
- Chairman	230,000
- Member	150,000
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 2018 are disclosed in the Note 32 and 33 to the Group Financial Statements.

c) Remuneration Policy in respect of Officers of the Company

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

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.

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

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	<u>Variable Bonus</u> - 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 <u>Long-term Incentive Award</u> 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. <u>Clawback Provision</u> 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.
Benefits	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	Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

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

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

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

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

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.

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

Long-term Incentive Award – Employees' Share Grant Plan

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

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

Corporate Governance – Remuneration practices

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

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

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (Contd.)

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

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

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

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 2018 compensation outcome for those identified as Senior Officers and Other Material Risk Takers:

Group

Remuneration	Unrestricted*	
Fixed Remuneration	No. of pax	RM'000
Material Risk Taker "Senior Officers"		
Cash-based	17	17,596
Shares and share-linked instruments (ESOS etc.)	10	2,174
Other Material Risk Taker "OMRT"		
Cash-based	5	2,708
Shares and share-linked instruments (ESOS etc.)	4	86

Company

Remuneration	Unrestricted*	
Fixed Remuneration	No. of pax	RM'000
Material Risk Taker "Senior Officers"		
Cash-based	10	11,859
Shares and share-linked instruments (ESOS etc.)	6	1,681

** Define as amount paid and not deferred.*

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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

We, Datuk R. Karunakaran and Dato' Amirul Feisal Wan Zahir, being two of the directors of Maybank Ageas Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 237 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 Group and of the Company as at 31 December 2018 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2019.

DATUK R. KARUNAKARAN

DATO' AMIRUL FEISAL WAN ZAHIR

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

I, Kamaludin Ahmad, being the officer primarily responsible for the financial management of Maybank Ageas Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 237are 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 KAMALUDIN AHMAD
at Kuala Lumpur in Wilayah
Persekutuan on 22 February 2019

KAMALUDIN AHMAD

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jul 2018 - 31 Dis 2020
MALAYSIA

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

Building a better working world

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Independent auditors' report to the members of Maybank Ageas Holdings Berhad (Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Maybank Ageas Holdings Berhad ("the Company"), which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2018, and a summary of significant accounting policies, as set out on pages 33 to 237.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their 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 Group and of the Company in accordance with the By-Laws (on Professional Ethics, onduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

In connection with our audit of the financial statements of the Group and 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 Group and 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 Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibility for the audit of the financial statements

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

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Independent auditors' report to the members of Maybank Ageas Holdings Berhad (Contd.) (Incorporated in Malaysia)

Auditors' responsibility 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 Group and 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 for 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 Group's and 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 Group's or 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 Group and 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 Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Independent auditors' report to the members of Maybank Ageas Holdings Berhad (Contd.) (Incorporated in Malaysia)

Auditors' responsibility for the audit of the financial statements (Contd.)

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

Other matters

This report is made solely to the members 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
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
22 February 2019

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

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets:					
Property, plant and equipment	3	120,943	123,331	843	455
Investment properties	4	890,672	749,432	-	-
Prepaid land lease payments	5	18,070	18,557	-	-
Intangible assets	6	93,158	83,730	7	-
Investment in subsidiaries	7	-	-	2,412,323	2,606,470
Investment in associates	8	1,238	1,238	-	-
Investments	9	28,924,918	27,152,672	11,807	72,148
Financing receivables	11	262,365	257,778	2,083	1,113
Reinsurance/retakaful assets	12	3,132,102	3,082,373	-	-
Insurance/takaful receivables	13	514,020	615,300	-	-
Other receivables	14	604,206	860,158	4,790	2,932
Derivative assets	15	4,124	12,733	-	-
Deferred tax assets	16	17,559	9,789	-	-
Current tax assets		133,847	25,955	-	990
Cash and bank balances		487,146	411,832	1,864	3,460
Total Assets		35,204,368	33,404,878	2,433,717	2,687,568
Equity:					
Share Capital	17	660,866	660,866	660,866	660,866
Reserves	18	5,379,339	4,868,831	1,759,301	2,019,619
Total Equity		6,040,205	5,529,697	2,420,167	2,680,485
Liabilities:					
Insurance/takaful contract liabilities	19	25,799,681	24,227,221	-	-
Subordinated obligations	20	300,000	800,000	-	-
Expense liabilities	21	573,531	517,710	-	-
Derivative liabilities	15	15,463	25,806	-	-
Deferred tax liabilities	16	409,366	630,356	-	-
Insurance/takaful payables	22	566,452	499,019	-	-
Other payables	23	1,218,263	1,156,229	13,267	7,083
Interest/profit payable on subordinated obligations	20	1,189	11,308	-	-
Current tax liabilities		280,218	7,532	283	-
Total Liabilities		29,164,163	27,875,181	13,550	7,083
Total equity and liabilities		35,204,368	33,404,878	2,433,717	2,687,568

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	24	8,044,091	7,166,351	6,002	1,106,451
Gross earned premiums/ contributions	25(a)	6,641,683	5,966,158	-	-
Earned premiums/contributions ceded to reinsurers/retakaful	25(b)	(950,992)	(918,691)	-	-
Net earned premiums/ contributions		5,690,691	5,047,467	-	-
Fee and commission income	26	77,075	87,511	-	-
Investment income	27	1,259,760	1,214,131	6,002	1,106,451
Realised (losses)/gains	28	(452,455)	578,397	-	533
Fair value (losses)/gains	29	(61,794)	85,379	-	-
Other operating income/ (expenses), net	30	26,808	(144,604)	(1,162)	116
Other revenue		849,394	1,820,814	4,840	1,107,100
Gross benefits and claims paid	31(a)	(3,289,043)	(3,644,317)	-	-
Claims ceded to reinsurers/ retakaful	31(b)	404,798	707,540	-	-
Gross change in contract/ certificate liabilities	31(c)	(1,525,370)	(1,055,174)	-	-
Change in contract/certificate liabilities ceded to reinsurers/ retakaful	31(d)	15,574	(624,803)	-	-
Net benefits and claims		(4,394,041)	(4,616,754)	-	-
Management expenses	32	(811,798)	(710,318)	(58,842)	(24,479)
Reimbursement of shared services		45,326	17,159	45,326	17,159
Change in expense liabilities	35	(11,107)	9,268	-	-
Fee and commission expenses	36	(516,254)	(490,960)	-	-
Interest on subordinated obiligations		(24,092)	(34,210)	-	-
Tax borne by policyholders/ participants	37	(27,162)	(69,292)	-	-
Other expenses		(1,345,087)	(1,278,353)	(13,516)	(7,320)

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTD.)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) before taxation		800,957	973,174	(8,676)	1,099,780
Taxation	37	(85,740)	(234,620)	(1,401)	(928)
Zakat		(16,209)	(3,719)	-	-
Net profit/(loss) for the year		699,008	734,835	(10,077)	1,098,852
Profit attributable to:					
Equity holders of the Company		699,008	734,835	(10,077)	1,098,852
Basic and diluted earnings per share (sen)	38	2.77	2.92	(0.04)	4.36

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net profit/(loss) for the year		699,008	734,835	(10,077)	1,098,852
Item that may be subsequently reclassified to income statement					
Change in value of financial assets at Fair Value through Other Comprehensive Income ("FVOCI")/ Available for Sale("AFS"), net		5,219	(28,695)	-	(484)
- Fair value changes		41,746	380,856	-	(104)
- Transfer to profit and loss upon disposal	28	(26,007)	(403,011)	-	(533)
- Fair value adjustments on FVOCI/AFS financial assets backing participants' funds		(4,975)	(15,821)	-	-
Tax effect relating to FVOCI/AFS financial assets	37	(5,545)	9,281	-	153
Currency translation differences		254	(10,283)	-	-
Other comprehensive income/ (losses) for the year, net of tax		5,473	(38,978)	-	(484)
Total comprehensive income for the year attributable to equity holder		704,481	695,857	(10,077)	1,098,368

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

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Group		<---------Non-distributable---------->				Retained Earnings			
	Note	**Share Capital RM'000**	**Share Premium RM'000**	**FVOCI Reserve/ AFS Reserve RM'000**	**Other Reserves RM'000**	**Non-Distributable Non-DPF Surplus RM'000**	**Distributable Retained Profits RM'000**	**Sub-total Retained Earnings RM'000**	**Total Equity RM'000**
At 1 January 2018 (as previously stated)		660,866	-	(30,656)	52,169	1,769,633	3,077,685	4,847,318	5,529,697
Effects of adopting MFRS 9 (Note 2.5 (c))		-	-	26,624	-	-	29,644	29,644	56,268
At 1 January 2018 (as restated)		660,866	-	(4,032)	52,169	1,769,633	3,107,329	4,876,962	5,585,965
Net profit after tax for the year		-	-	-	-	157,375	541,633	699,008	699,008
Other comprehensive income for the year		-	-	5,219	254	-	-	-	5,473
Total comprehensive income		-	-	5,219	254	157,375	541,633	699,008	704,481
Transfer from revaluation reserves upon disposal investment property		-	-	-	(284)	-	284	284	-
Transfer from non-par surplus upon recommendation by the Appointed actuary		-	-	-	-	(1,004,285)	1,004,285	-	-
Dividend on ordinary shares	39	-	-	-	-	-	(250,241)	(250,241)	(250,241)
At 31 December 2018		660,866	-	1,187	52,139	922,723	4,403,290	5,326,013	6,040,205

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Group		<---------Non-distributable---------->				Retained Earnings			
	Note	**Share Capital RM'000**	**Share Premium RM'000**	**AFS Reserve RM'000**	**Other Reserves RM'000**	**Non-Distributable Non-DPF Surplus RM'000**	**Distributable Retained Profits RM'000**	**Sub-total Retained Earnings RM'000**	**Total Equity RM'000**
At 1 January 2017		252,005	401,561	(1,961)	80,326	1,719,813	2,631,833	4,351,646	5,083,577
Net profit after tax for the year		-	-	-	-	163,820	571,015	734,835	734,835
Other comprehensive losses for the year		-	-	(28,695)	(10,283)	-	-	-	(38,978)
Total comprehensive income/(losses)		-	-	(28,695)	(10,283)	163,820	571,015	734,835	695,857
Transfer to share capital		408,861	(401,561)	-	(7,300)	-	-	-	-
Transfer from revaluation reserves upon disposal investment property		-	-	-	(10,574)	-	10,574	10,574	-
Transfer from non-par surplus upon recommendation by Appointed Actuary		-	-	-	-	(114,000)	114,000	-	-
Dividend on ordinary shares	39	-	-	-	-	-	(249,737)	(249,737)	(249,737)
At 31 December 2017		660,866	-	(30,656)	52,169	1,769,633	3,077,685	4,847,318	5,529,697

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

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MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Company	<---------- Non-distributable ---------->					
	Share Capital RM'000	**Share Premium RM'000**	**AFS Reserve RM'000**	**Other Reserve RM'000**	**Distributable Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2018	660,866	-	-	-	2,019,619	2,680,485
Net profit after tax for the period	-	-	-	-	(10,077)	(10,077)
Total comprehensive income	-	-	-	-	(10,077)	(10,077)
Dividend on ordinary shares	-	-	-	-	(250,241)	(250,241)
At 31 December 2018	660,866	-	-	-	1,759,301	2,420,167
At 1 January 2017	252,005	401,561	484	7,300	1,170,504	1,831,854
Net profit after tax for the period	-	-	-	-	1,098,852	1,098,852
Other comprehensive losses for the period	-	-	(484)	-	-	(484)
Total comprehensive income	-	-	(484)	-	1,098,852	1,098,368
Transfer to share capital	408,861	(401,561)	-	(7,300)	-	-
Dividend on ordinary shares	-	-	-	-	(249,737)	(249,737)
At 31 December 2017	660,866	-	-	-	2,019,619	2,680,485

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

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	800,957	973,174	(8,676)	1,099,780
Adjustments for:				
Amortisation of:				
- intangible assets	12,240	9,734	-	-
- prepaid land lease payments	487	408	-	-
Depreciation of property, plant and equipment	14,527	13,954	117	10
Fair value gains on:				
- investment	93,502	(83,444)	-	-
- investment properties	(31,708)	(1,935)	-	-
(Gains)/losses on disposal of:				
- investments	456,276	(502,795)	-	(533)
- investments properties	183	(75,819)	-	-
- property, plant and equipment	(4,004)	216	-	-
Gross dividend income	(76,204)	(82,325)	-	(1,102,697)
Interest/profit and rental income	(1,176,122)	(1,152,234)	(6,005)	(3,653)
Interest expense	24,092	34,210	-	-
(Reversal of impairment losses)/ impairment losses on:				
- receivables	(3,107)	3,496	899	-
- investments	281	56,512	-	-
- others	616	1,399	-	-
Bad debts written off	(6,729)	1,300	-	-
Taxation of life and takaful funds	27,162	69,292	-	-
Unrealised gain on foreign exchange	(13,032)	71,294	404	-
Operating loss before changes in assets and liabilities	119,417	(663,563)	(13,261)	(7,093)
Net proceeds from (purchase)/ of investments	(2,989,201)	(1,618,636)	-	102,208
Net decrease in fixed and call deposits	32,504	472,834	60,341	14,482
	(2,837,280)	(1,809,365)	47,080	109,597

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Decrease/(increase) in reinsurance assets	(98,041)	617,363	-	-
Decrease/(increase) in financing receivables	(4,149)	2,992	(967)	(361)
Decrease/(increase) in insurance receivables	127,560	(173,881)	-	-
Decrease/(increase) in other receivables	1,461,495	(749,257)	(4,602)	415
Increase/(decrease) in insurance payables	63,290	84,278	-	-
Increase in payables	127,276	169,643	6,455	4,332
(Decrease)/increase in expense liabilities	(48,832)	(9,268)	-	-
Increase in insurance/takaful contract liabilities	1,239,170	1,020,284	-	-
Foreign exchange effects	229	(1,185)	-	-
Increase in derivatives	(5,312)	-	-	-
Investment income received	1,297,072	1,480,962	6,170	237,078
Tax paid	(104,692)	(213,305)	(126)	(669)
Zakat paid	-	(3,797)	-	-
Mudharabah paid	(72,681)	(135,901)	-	-
Net cash generated from operating activities	1,145,106	279,563	54,010	350,392
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital repayment/(injection) in subsidiary	-	-	195,148	(100,000)
Purchase of intangible assets	(17,633)	(20,833)	(8)	-
Purchase of property, plant and equipment	(13,954)	(9,594)	(505)	-
Proceeds from disposal of intangible assets	3,755	289	-	-
Purchase of investment properties	(110,051)	(84,517)	-	-
Proceeds from disposal of investment properties	338	167,709	-	-
Proceeds from disposal of property, plant and equipment	3,823	(172)	-	-
Net cash (used in)/generated from investing activities	(133,722)	52,882	194,635	(100,000)

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of dividends	(250,241)	(249,737)	(250,241)	(249,737)
Interest paid on subordinated obligation	(20,650)	(34,210)		-
Redemption of subordinated obligation	(500,000)	-	-	-
Net cash used in financing activities	(770,891)	(283,947)	(250,241)	(249,737)
Net increase/(decrease) in cash and cash equivalents	240,493	48,498	(1,596)	655
Effects of exchange rate changes	(165,179)	(14,006)	-	-
Cash and cash equivalents at beginning of year	411,832	377,340	3,460	2,805
Cash and cash equivalents at end of year	487,146	411,832	1,864	3,460
Cash and cash equivalents comprise:				
Cash and bank balances:				
Shareholders' and general funds	190,544	126,672	1,864	3,460
Life fund	130,956	205,782	-	-
General takaful fund	62,114	33,959	-	-
Family takaful fund	103,532	45,419	-	-
	487,146	411,832	1,864	3,460

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

1. CORPORATE INFORMATION

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

The holding and ultimate holding companies of the Company are Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

There have been no significant changes in the nature of the principal activities during the financial year, other than the conversion of composite licences to single licences (“Licence Split”) effective from 1 January 2018. Etiqa Takaful Berhad (“ETB”) and Etiqa Insurance Berhad (“EIB”) have both surrendered their composite licences in exchange for the issuance of four (4) single licences to Etiqa Family Takaful Berhad ("EFTB") (to carry out Family Takaful business), Etiqa General Takaful Berhad ("EGTB") (to carry out General Takaful business), Etiqa General Insurance Berhad ("EGIB") (to carry out General Insurance business), Etiqa Life Insurance Berhad ("ELIB") (to carry out Life Insurance business) respectively. Subsequently, Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB") were renamed from EIB to EGIB and ETB to EFTB respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statements

(a) Statement of compliance

The financial statements of the Group and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (Contd.)

(a) Statement of compliance (Contd.)

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

The Company's subsidiaries, Etiqa General Insurance Berhad ("EGIB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa Family Takaful Berhad ("EFTB") and Etiqa General Takaful Berhad ("EGTB"), have met the minimum capital requirements as prescribed by the RBC Frameworks for Insurers and Takaful Operators issued by BNM as at the reporting date.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimate and judgements

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

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

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

- General insurance and takaful liabilities — Note 2.2(xvi)
- Life insurance and family takaful liabilities — Note 2.2(xvii) and (xviii)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation and presentation of the financial statements (Contd.)

(d) Use of estimate and judgements (Contd.)

The notes referred to above present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the general insurance and takaful, the life insurance and family takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 45.

2.2 Summary of Significant Accounting Policies

(i) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company, using consistent accounting policies for transactions and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date that such control effectively ceases. Specifically, the Group controls an investee if and only if the Group has:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its involvement with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers relevant facts and circumstances in assessing whether it has power over the investee, including:

(i) The contractual arrangement with the other vote holders of the investee;
(ii) Rights arising from other contractual arrangements; and
(iii) The Group’s voting rights and potential voting rights.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Basis of Consolidation (Contd.)

The assessment of control is performed continuously by the Company to determine if control exists or continues to exist over an entity.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cashflows relating to transactions between entities of the Group are eliminated in full. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements.

Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

Subsidiaries are consolidated using the acquisition method.

The acquisition method involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss on the date of acquisition.

(ii) Investment in Subsidiaries

Subsidiaries are entities controlled by the Company.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(x) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Associates

An associate is an entity which the Group 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(x). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

Investments in associates are accounted for in the consolidated financial statements using the equity method. The associate is equity accounted for from the date the Group gains significant influence until the date the Group ceases to have significant influence over the associate.

Under the equity method, the interest in associate is initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group’s share of net assets of the associate since the acquisition date. Where there is a change recognised directly in other comprehensive income of the associates, the Group recognises its share of such changes.

In applying the equity method, profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised gains and losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealised losses should not be eliminated if and to the extent that the cost of the transferred asset can not be recovered.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group’s net interest in the associates. the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Associates (Contd.)

After application of the equity method, the Group applies MFRS 136 *Impairment of Assets* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similiar circumstances.

(iv) Properties, 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 Group or 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 Group or the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Properties, Plant and Equipment and Depreciation (Contd.)

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

Work-in-progress are also not depreciated as these assets are 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 assets 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 and fittings, equipment and renovations	20% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

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

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

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(v) Investment Properties (Contd.)

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

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

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

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) 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 Group. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(b) Finance Leases - the Group as Lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Leases (Contd.)

(c) Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented in the statements of financial position according to the nature of the assets. Rental income from operating lease 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 included in the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

(d) Operating Leases - the Group as Lessee

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

(vii) Intangible Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vii) Intangible Assets (Contd.)

Amortisation is charged to the profit or loss.

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

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

(a) Software Development Costs

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

(b) Computer Software and Licences

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

(viii) Financial Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

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

(a) Classification of financial assets before 1 January 2018

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

(i) Financial Assets at FVTPL

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

(a) Classification of financial assets before 1 January 2018 (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/profit and dividend income. Exchange differences, interest/profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

(ii) LAR

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

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

(iii) AFS Financial Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

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

(iii) AFS Financial Assets (Contd.)

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

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

(b) Classification of financial assets after 1 January 2018

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

(i) Financial Assets at FVTPL

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

(b) Classification of financial assets after 1 January 2018 (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/profit and dividend income. Exchange differences, interest/profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

(ii) Financial Assets at FVOCI

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

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

(iii) Financial Assets at AC

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

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

(c) Business model assessment

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

The Group and the Company hold financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group and the Company consider 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 Group and the Company's business model are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

(c) Business model assessment (Contd.)

The expected frequency, value and timing of asset sales are also important aspects of the Group and the Company's assessment. The Group and 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 Group and the Company's original expectations, the Group and the Company do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

i) determined by the Group and the Company's senior management as a result of external or internal changes;
ii) significant to the Group and the Company's operations; and
iii) demonstrable to external parties.

A change in the Group's business model will occur only when the Group and the Company's begin or cease 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.

(d) The SPPI test

As a second step of its classification process, the Group and the Company assess 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Financial Assets (Contd.)

(d) The SPPI test (Contd.)

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

(e) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Group and the Company have 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 Group and the Company commit to purchase or sell the asset.

(ix) 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 and whose fair value are measured based on the net asset method by reference to the annual financial statement of the entity that invested in.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ix) Fair Value of Financial Assets (Contd.)

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")/Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap.

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.

(x) Impairment

(a) Impairment of financial assets before 1 January 2018

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

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

Insurance/takaful receivables

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

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

Insurance/takaful receivables (Contd.)

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

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

AFS financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

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

Unquoted equity securities carried at cost

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

Loans and receivables

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

(b) Impairment of financial assets after 1 January 2018

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

The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances, financing, insurance/takaful receivables, debts instruments and deposits held by the Group and the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases* .

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

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

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

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

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

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

(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.)

(x) Impairment (Contd.)

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

Loan, advance and financing,

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

Insurance/takaful receivables

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

Financial assets at FVOCI and AC

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

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

Financial assets at FVOCI and AC (Contd.)

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 individually for objective evidence of impairment except for:

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

(c) Non-Financial Assets

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

An asset's recoverable amount is the higher of an asset's 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 were 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 is written down to its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(x) Impairment (Contd.)

(c) Non-Financial Assets (Contd.)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions 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 or amortisation, 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.

(xi) Reinsurance/Retakaful Assets

The insurance and takaful subsidiaries in the Group cede insurance/takaful risk in the normal course of their business. Ceded reinsurance/retakaful arrangements do not relieve the insurance and takaful subsidiaries of the Group from their obligations to policyholders/participants. For both ceded and assumed reinsurance/retakaful, premiums/contributions, claims and benefits paid or payable are presented on a gross basis.

Reinsurance/retakaful arrangements, entered into by the insurance and takaful subsidiaries of the Group, that meet the classification requirements of insurance/takaful contracts as described in Note 2.2(xv) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

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

At each reporting date, or more frequently, the insurance and takaful subsidiaries of the Group assess whether objective evidence exists that reinsurance/retakaful assets are impaired. The impairment loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xi) Reinsurance/Retakaful Assets (Contd.)

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

(xii) Insurance/Takaful Receivables

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

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

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

(xiii) Cash and Cash Equivalents

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

(xiv) Equity Instruments

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

(xv) Product Classification

The insurance and takaful subsidiaries of the Group issue contracts that contain insurance/takaful risk or both insurance/takaful risk and financial risk.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) Product Classification (Contd.)

An insurance/takaful contract is a contract under which an entity has accepted significant insurance or takaful risk from another party (the policyholders or the participants) by agreeing to compensate the policyholders or participants if a specified uncertain future event (the insured event) adversely affects the policyholders/participants. As a general guideline, the insurance and takaful subsidiaries of the Group define whether significant insurance/takaful 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 and takaful risk accepted is deemed to be significant.

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

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

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

(a) likely to be a significant portion of the total contractual benefits;
(b) whose amount or timing is contractually at the discretion of the issuer; and
(c) contractually based on the:

    (i) performance of a specified pool of contracts or a specified type of contract;
    (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    (iii) the profit or loss of the entity or fund that issues the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) Product Classification (Contd.)

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

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

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

(xvi) General Insurance/General Takaful Contract Liabilities

The general insurance/takaful contract liabilities of the Group comprise claim liabilities and premium/contribution liabilities.

(a) Claim Liabilities

Claim liabilities represent the Group'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 comprise 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General Insurance/General Takaful Contract Liabilities (Contd.)

(a) Claim Liabilities (Contd.)

Provision for claims reported are recognised upon notification by policyholders/participants.

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/Contribution Liabilities

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

General insurance business

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 business or the best estimate value of the insurer's unexpired risk reserves ("URR") with PRAD at the end of the financial year as prescribed by BNM.

- **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 and aviation cargo and transit business; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General Insurance/General Takaful Contract Liabilities (Contd.)

(b) Premium/Contribution Liabilities (Contd.)

General insurance business (Contd.)

- **UPR (Contd.)**

  - all other classes of business, except treaty, using time-apportionment basis over the period of the risks, after deducting commissions, not exceeding limits specified by BNM; that relate to the unexpired periods of policies at the end of the financial year; and

  - all other classes of treaty business with a deduction of commission; at the following bases:
    i) 1/8th method for quaterly statement
    ii) 1/24th method for monthly statement

- **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.

General takaful business

In accordance with the valuation requirements of the RBCT Framework, contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all lines of business or the best estimate value of the URR at the end of the financial year and a PRAD as prescribed by BNM.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General Insurance/General Takaful Contract Liabilities (Contd.)

(b) Premium/Contribution Liabilities (Contd.)

General takaful business (Contd.)

- **UCR**

UCR represent the portion of the contributions of takaful certificates written that relate to the unexpired periods of the certificates at the reporting date.

In determining short-term UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used as follows:

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

- 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 as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

Wakalah

The UCR for wakalah business is calculated on contribution with a further deduction for wakalah management expense to reflect the wakalah business principle.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvi) General Insurance/General Takaful Contract Liabilities (Contd.)

(b) Premium/Contribution Liabilities (Contd.)

General takaful business (Contd.)

- **URR**

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

(xvii) Life Insurance Contract Liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) Life Insurance Contract Liabilities (Contd.)

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

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

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

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

(xviii) Family Takaful Certificate Liabilities

Family takaful certificates liabilities are recognised when certificates are in-force and contributions are due.

The family takaful certificate liabilities are derecognised when the cerficicate expires, is discharged or is cancelled.

The liabilities of the family takaful business are determined in accordance with Guidelines on Valuation Basis for Liabilities of Family Takaful Business and guidelines pertaining to the Valuation of Liabilities arising from Skim Anuiti Takaful KWSP ("SATK") Annuity Business. All family takaful liabilities except investment-linked certificates and yearly renewable family certificates have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and/or expenses less future gross considerations arising from the certificates, discounted at the risk-free discount rate. This method is known as the gross contribution valuation method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xviii) Family Takaful Certificate Liabilities (Contd.)

For the family takaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

The liabilities in respect of the non-unit component of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the certificate level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The liabilities of the unit component is the NAV of the fund.

For a yearly renewable family certificate covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis. For a yearly renewable policies covering other contingencies such as medical benefits, the recognised liabilities comprise the best estimate contribution and claim liabilities with an appropriate allowance for PRAD.

(xix) Financial Liabilities

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

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

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 Group and the Company did not classify any of its financial liabilities at FVTPL.

The Group and the Company's other financial liabilities include 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.)

(xix) Financial Liabilities (Contd.)

Subsequent to initial recognition, subordinated obligation is recognised at amortised cost using the effective interest method. Subordinated obligation is classified as current liabilities unless the Group and the Company have 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.

(xx) Expense Liabilities

The expense liabilities of the shareholder's fund of the takaful subsidiary consist of expense liabilities of the general and family takaful funds which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in profit or loss.

(a) General Takaful Business

Expense liabilities in relation to the Group's general takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") with PRAD as prescribed by BNM.

(1) Provision for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the method used to reflect actual UCR.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xx) Expense Liabilities (Contd.)

(a) General Takaful Business (Contd.)

(2) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves with PRAD at the valuation date as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses in maintaining certificates with unexpired risks.

(b) Family Takaful Fund

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the family takaful fund for the full contractual obligation of the family takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration.

Expense liabilities are recognised when projected future expenses exceed the projected future income of family takaful certificates.

(xxi) Measurement and Impairment of Qard

In the event where the assets of the takaful funds are insufficient to meet the liabilities, the shareholders' fund is required to rectify the deficit of the takaful funds via a Qard, which is a profit free loan. The Qard shall be repaid from future surpluses of the affected takaful funds. In the shareholders' fund, the Qard is stated at cost less impairment losses, if any, whereas in the takaful funds, the Qard is stated at cost.

At each reporting date, the balance of the Qard and the ability of the affected funds to generate sufficient surpluses to repay the shareholders' fund is assessed. The likelihood that the Qard will be repaid and the duration of time that will be required to repay the Qard is determined and ascertained via projected cash flows which take into account past experience of the affected funds. The projected cash flows are then discounted to determine the recoverable value of the Qard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxi) Measurement and Impairment of Qard (Contd.)

If the carrying amount of the Qard exceeds its recoverable amount, the difference is recognised as an impairment loss and the Qard is written down to its recoverable amount. Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

(xxii) Insurance/Takaful 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.

(xxiii) 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 Group and the Company.

(xxiv) Premium/Contribution Income

Premiums or contributions represent consideration paid for an insurance or takaful contract, respectively, and is accounted for as follows:

(a) General insurance/general takaful business

Premium/contribution income is recognised in the financial year in respect of risks assumed during that particular financial year. Premiums/contributions from direct business are recognised during the financial year upon the issuance of debit notes. Premiums/contributions 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.)

(xxiv) Premium/Contribution Income (Contd.)

(a) General insurance/general takaful business (Contd.)

Inward facultative reinsurance premiums/retakaful contributions 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/certificates, following the individual risks' inception dates.

Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding insurers/takaful operators.

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

(b) Life insurance/family takaful business

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

Outward reinsurance premiums/retakaful contributions are recognised in the same financial period as the original policies to which the reinsurance/retakaful relates.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxv) Benefits and Claims Expenses

(a) General insurance/takaful business

Claim expenses represent compensation paid or payable on behalf of the insured in relation 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 year even if they had not been reported to the Group.

(b) Life insurance/family takaful business

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

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

- maturity and other policy/certificate benefit payments due on specified dates are treated as claims payable on the due dates; and

- death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

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

(xxvi) Commission Expenses and Acquisition Costs

(a) General Insurance Business

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Commission Expenses and Acquisition Costs (Contd.)

(a) General Insurance Business (Contd.)

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

(b) General Takaful Business

Commission expenses net of income derived from retakaful, which are costs directly incurred in securing contributions on takaful certificates net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Mudharabah principle

Commission expenses are borne by the general takaful fund with the resulting underwriting surplus/deficit after expenses shared between the participants and the takaful subsidiary as advised by the Shariah Committee.

Wakalah principle

Commission expenses are borne by the shareholder's fund. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the takaful subsidiary.

(c) Life Insurance Business

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

(d) Family Takaful Business

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Commission Expenses and Acquisition Costs (Contd.)

(d) Family Takaful Business (Contd.)

Mudharabah principle

Commission expenses are borne by the family takaful fund with the resulting underwriting surplus/deficit after expenses shared between the takaful subsidiary and the participants as advised by the Shariah Committee.

Wakalah principle

Under the wakalah principle, commission expenses are borne by the shareholders' fund. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the takaful subsidiary.

(xxvii) Other Revenue Recognition

Revenue is recognised when the Group and the Company satisfy a performance obligation by transferring a promised good or service to a customer. Generally, satisfaction of a performance obligation occurs when/as the Group and 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 Group and 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 Group and 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.)

(xxvii) Other Revenue Recognition (Contd.)

(a) Interest/Profit Income

Interest/profit income is recognised using the effective interest/yield method over the term of the underlying investments.

(b) Dividend Income

Dividend income is recognised at a point of time when the Group’s and 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 as a reduction of rental income over the lease term on a straight-line basis.

(d) Fund Management Fees

Fund management fees are recognised at a point of time when services are rendered.

(e) Management Fees

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

(f) Wakalah fees

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the general and family takaful funds under the principle of Wakalah and are recognised at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxviii) Fee and Commission Income

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

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

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

(xxix) Employee Benefits

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxix) Employee Benefits (Contd.)

(c) Share-based Compensation

(1) Employees' share option scheme ("ESOS")

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

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

(2) Restricted share units (“RSU”)

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxix) Employee Benefits (Contd.)

(c) Share-based Compensation (Contd.)

(3) Employees' Share Grant Plan ("ESGP Shares")

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

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

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

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

(xxx) Foreign Currencies

(a) Functional and Presentation Currency

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

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group and the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxx) Foreign Currencies (Contd.)

(b) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries 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 Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under the foreign currency translation reserve in equity.

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

(c) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated 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;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxx) Foreign Currencies (Contd.)

(c) Foreign Operations (Contd.)

- 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 statements (as a reclassification adjustment) when the gain or loss on disposal is recognised.

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

	31.12.2018	31.12.2017
Singapore Dollar	3.03	3.03
100 Pakistan Rupee	0.03	0.04
United States Dollar	4.14	4.05
Brunei Dollar	3.03	3.01

(xxxi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxxi) Income Tax (Contd.)

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

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

(xxxii) Zakat

This represents business zakat payable by the takaful subsidiary in compliance with Shariah principles and as approved by the Group's Shariah Committee. Zakat provision is calculated based on the working capital method at 2.5%.

2.3 Amendments to MFRS

At the beginning of the current financial year, the Group and the Company adopted the following MFRSs, amendments to MFRSs and annual improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2018:

MFRS 2 *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* (Amendments to MFRS 2)
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)
MFRS 15 *Revenue from Contracts with Customers*
Applying MFRS 9 *Financial Instruments with MFRS 4 Insurance Contracts* (Amendments to MFRS 4)
Transfer to Investment Property (Amendments to MFRS 140)
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
Annual Improvements to MFRSs 2014-2016 Cycle:
(i) Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*
(ii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Amendments to MFRS (Contd.)

The effects arising from the adoption of these MFRSs, amendments to MFRSs and annual improvements are as disclosed in Note 2.5.

2.4 Standards and annual improvements to standards issued but not yet effective

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

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

The Group and the Company do not expect that the adoption of the above pronouncements will have financial implications in future financial statements other than disclosed below:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 16 *Leases*

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

(i) Lessee

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

(ii) Lessor

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 17 *Insurance Contracts*

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows).

- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period).

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit or loss, but are recognised directly on the statement of financial position.

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (Contd.)

MFRS 17 *Insurance Contracts* (Contd.)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Changes in accounting policies - MFRS 9 *Financial Instruments*

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and Insurance/Takaful certificates liabilities on the initial date of adoption (i.e. 1 January 2018). Details of the changes as described in Note 2.2(viii) and (x).

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

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

Financial assets	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Malaysian government papers	**A**	HFT / FVTPL	FVOCI	7,511	7,511
	B	AFS	FVTPL	226,964	226,964
	D	AFS	FVOCI	510,093	510,093
		HFT / FVTPL	FVTPL	466,336	466,336
Singapore government securities	**A**	HFT / FVTPL	FVOCI	347,481	347,481
	D	AFS	FVOCI	37,696	37,696
		HFT / FVTPL	FVTPL	16,980	16,980
Debt securities	**A**	HFT / FVTPL	FVOCI	342,390	342,390
	B,C	AFS	FVTPL	2,290,099	2,290,099
	D	AFS	FVOCI	5,235,308	5,235,308
		HFT / FVTPL	FVTPL	11,357,912	11,357,912
Equity securities	**E**	AFS	FVTPL	2,215,524	2,292,973
		HFT / FVTPL	FVTPL	969,222	969,222
Unit and property trust funds	**E**	AFS	FVTPL	93,423	93,423
		HFT / FVTPL	FVTPL	53,539	53,539

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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

Financial assets	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Structured products		HFT / FVTPL	FVTPL	389,631	389,631
Negotiable certificates of deposit		HFT / FVTPL	FVTPL	145,463	145,463
Negotiable Islamic certificates of deposit	**D**	AFS	FVOCI	19,719	19,719
		HFT / FVTPL	FVTPL	108,438	108,438
Deposits with financial institutions	**F**	LAR	FVTPL	95,869	95,869
		LAR	AC	2,223,075	2,223,075
Financing receivables		LAR	AC	257,778	257,778
Other receivables		LAR	AC	860,158	860,158
Derivative assets		HFT / FVTPL	FVTPL	12,733	12,733
Financial liabilities					
Derivative liabilities		HFT / FVTPL	FVTPL	25,806	25,806
Other payables		FVTPL	FVTPL	1,156,229	1,156,229

Note

A Malaysian Government Papers, Singapore Government Securities and debt securities for Annuity Non Par are classified as financial assets at FVOCI. These instruments are managed within a business model which collects contractual cash flows and selling the financial assets. The cash flow characteristic meets the requirement of SPPI test.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

Note (Contd.)

B Malaysian government papers and debt securities for Family Shareholders' fund of RM226.9 million and RM2.15 billion respectively are classified as financial assets at FVTPL. The objective of holding these instruments is to support the expense liabilities arising from the family business. In addition, perpetual bonds are measured at FVTPL as per the issuer classification under MFRS 9.

C Debt securities of RM140 million are classified as financial assets at FVTPL as these financial assets do not meet the SPPI criterion.

D These instruments are managed within a business model of collecting contractual cash flows (SPPI test) and selling the financial assets. Malaysian government papers and debt securities are held to meet everyday liquidity needs. The Group and the Company seek to minimise the costs of managing liquidity needs and therefore actively manage the return on the portfolio. Returns consist of collecting contractual payments as well as gains and losses from the sale of financial assets.

E Equity securities including non-trading equities (i.e. unquoted shares measured at FVTPL) under MFRS 9 as these instruments do not meet SPPI test and neither the Group and the Company has elected to measure at FVOCI. For non-trading equities the valuation is made reference to the net tangible assets based on latest available audited financial statements of the company. Previously, these shares were measured at cost.

F All financial assets under investment-linked business are mandatory to be measured at FVTPL which is to provide the policyholders with the potential investment returns in line with the investment mandate. As such the deposits with financial institution (which were previously classified as loans and receivables and approximate to fair value) are now classified as financial assets measure at FVTPL under MFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(b) Changes in disclosure - MFRS 7

To reflect the differences between MFRS 9 and MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures* was also amended. The Group and the Company applied the amended disclosure requirements, together with MFRS 9, for the year beginning from 1 January 2018. Detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Notes 2.2(viii) and (x). Reconciliations from opening to closing ECL allowances are presented in Notes 46(i).

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

The adoption of MFRS 9 resulted in the following financial effects to the related statements of financial position items of the Group and of the Company:

Group	31 December 2017 RM'000	Classification and measurement RM'000	ECL RM'000	1 January 2018 RM'000
Assets:				
Investments	27,152,672	77,449	(2,769)	27,227,352
Financing receivables	257,778	-	(16)	257,762
Insurance/takaful receivables	615,300	-	(3,749)	611,551
Other receivables	860,158	-	(887)	859,271
Deferred tax assets	9,789	-	211	10,000
Liabilities:				
Insurance/takaful contract liabilities	24,227,221	2,642	(2,965)	24,226,898
Deferred tax liabilities	630,356	20,305	(437)	650,224
Current tax liabilities	7,532	-	-	7,532
Equities				
AFS Reserve	(30,656)	30,656	-	-
FVOCI Reserve	-	(4,956)	924	(4,032)
Retained earnings	4,847,318	33,032	(3,388)	4,876,962

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

The following table analyses the impact, net of tax, of transition to MFRS 9 on the opening balance of reserve, retained earnings and insurance/takaful certificates liabilities of the Group and of the Company:

AFS/FVOCI Reserve	**RM'000**
Closing balance as at 31 December 2017	(30,656)
Transfer to retained earnings	25,700
Recognition of ECL	1,051
Deferred tax in respect of ECL	(127)
Opening balance as at 1 January 2018	(4,032)
Retained earnings	
Closing balance as at 31 December 2017	4,847,318
Transfer from AFS reserve	(25,700)
Unrealised gain on financial assets at FVTPL	78,806
Recognition of ECL	(3,826)
Deferred tax in respect of:	
- unrealised gain on FVTPL	(11,529)
- ECL	438
- non-par unallocated surplus	(8,545)
Opening balance as at 1 January 2018	4,876,962
Insurance contract liabilities	
Closing balance as at 31 December 2017	24,227,221
Unrealised gain on financial assets at FVTPL	2,873
Recognition of ECL	(3,054)
Deferred tax in respect of:	
- unrealised gain on FVTPL	(231)
- ECL	89
Opening balance as at 1 January 2018	24,226,898

MAYBANK AGEAS HOLDINGS BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT

Group	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
2018							
Cost							
At 1 January 2018	118,626	64,520	38,154	43,832	1,929	7,967	275,028
Additions	-	2,458	9,385	711	-	3,660	16,214
Disposals	(6,528)	(24)	(526)	-	-	-	(7,078)
Reclassification	-	846	-	6,226	-	(7,072)	-
Transfer to:							
-intangible assets	-	-	373	-	-	(1,430)	(1,057)
Translation differences	-	-	11	-	127	16	154
At 31 December 2018	112,098	67,800	47,397	50,769	2,056	3,141	283,261
Accumulated Depreciation and Impairment Losses							
At 1 January 2018	42,670	57,173	22,914	27,600	1,340	-	151,697
Depreciation charge for the year	2,191	3,847	5,175	3,119	195	-	14,527
Disposals	(3,528)	(24)	(521)	-	-	-	(4,073)
Translation differences	-	8	31	-	128	-	167
At 31 December 2018	41,333	61,004	27,599	30,719	1,663	-	162,318
Analysed as:							
Accumulated depreciation	40,013	61,004	27,599	30,719	1,663	-	160,998
Accumulated allowance for impairment	1,320	-	-	-	-	-	1,320
	41,333	61,004	27,599	30,719	1,663	-	162,318
Net Book Value							
At 31 December 2018	70,765	6,796	19,798	20,050	393	3,141	120,943

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	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
2017							
Cost							
At 1 January 2017	118,626	63,699	34,857	39,765	1,437	10,129	268,513
Additions	-	1,988	2,279	2,155	519	2,653	9,594
Disposals	-	(1,060)	(27)	-	-	-	(1,087)
Write-off	-	-	(65)	-	-	-	(65)
Reclassification	-	138	1,596	1,912	-	(3,646)	-
Transfer from intangible assets	-	-	-	-	-	(1,136)	(1,136)
Translation differences	-	(245)	(486)	-	(27)	(33)	(791)
At 31 December 2017	118,626	64,520	38,154	43,832	1,929	7,967	275,028
Accumulated Depreciation and Impairment Losses							
At 1 January 2017	40,485	53,984	18,457	25,204	1,251	-	139,381
Depreciation charge for the year	2,185	4,435	4,822	2,396	116	-	13,954
Disposals	-	(1,029)	(14)	-	-	-	(1,043)
Write-off	-	-	(65)	-	-	-	(65)
Translation differences	-	(217)	(286)	-	(27)	-	(530)
At 31 December 2017	42,670	57,173	22,914	27,600	1,340	-	151,697
Analysed as:							
Accumulated depreciation	40,659	57,173	22,914	27,600	1,340	-	149,686
Accumulated allowance for impairment	2,011	-	-	-	-	-	2,011
	42,670	57,173	22,914	27,600	1,340	-	151,697
Net Book Value							
At 31 December 2017	75,956	7,347	15,240	16,232	589	7,967	123,331

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Computers and peripherals RM'000	Motor vehicles RM'000	Work in- progress RM'000	Total RM'000
2018				
Cost				
At 1 January 2018	-	465	-	465
Additions	5	-	500	505
At 31 December 2018	5	465	500	970
Accumulated Depreciation and Impairment Losses				
At 1 January 2018	-	10	-	10
Depreciation charge for the year	1	116	-	117
At 31 December 2018	1	126	-	127
Analysed as:				
Accumulated depreciation	1	126	-	127
Net Book Value				
At 31 December 2018	4	339	500	843
2017				
Cost				
At 1 January 2017	-	-	-	-
Additions	-	465	-	465
At 31 December 2017	-	465	-	465
Accumulated Depreciation and Impairment Losses				
At 1 January 2017	-	-	-	-
Depreciation charge for the year	-	10	-	10
At 31 December 2017	-	10	-	10
Analysed as:				
Accumulated depreciation	-	10	-	10
Net Book Value				
At 31 December 2017	-	455	-	455

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

Group	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
2018					
Cost					
At 1 January 2018	3,620	8,010	-	106,996	118,626
Disposals	(1,791)	(4,737)	-	-	(6,528)
At 31 December 2018	1,829	3,273	-	106,996	112,098
Accumulated Depreciation and Impairment Losses					
At 1 January 2018	746	4,931	-	36,993	42,670
Depreciation charge for the year	-	52	-	2,139	2,191
Disposals	(691)	(2,837)	-	-	(3,528)
At 31 December 2018	55	2,146	-	39,132	41,333
Analysed as:					
- Accumulated depreciation	-	881	-	39,132	40,013
- Accumulated allowance for impairment losses	55	1,265	-	-	1,320
	55	2,146	-	39,132	41,333
Net Book Value At 31 December 2018	1,774	1,127	-	67,864	70,765
2017					
Cost					
At 1 January/31 December 2017	3,620	8,010	-	106,996	118,626
Accumulated Depreciation and Impairment Losses					
At 1 January/31 December 2017	746	4,886	-	34,853	40,485
Depreciation charge for the year	-	45	-	2,140	2,185
At 1 January/31 December 2017	746	4,931	-	36,993	42,670
Analysed as:					
- Accumulated depreciation	-	3,666	-	36,993	40,659
- Accumulated allowance for impairment losses	746	1,265	-	-	2,011
	746	4,931	-	36,993	42,670
Net Book Value At 31 December 2017	2,874	3,079	-	70,003	75,956

4. INVESTMENT PROPERTIES

Group	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Investment property under construction ("IPUC") RM'000	Total RM'000
2018				
At 1 January 2018	456,765	131,459	161,208	749,432
Additions	-	-	110,052	110,052
Disposal	-	(520)	-	(520)
Fair value adjustments	21,933	9,775	-	31,708
Reclassification	-	271,260	(271,260)	-
At 31 December 2018	478,698	411,974	-	890,672
2017				
At 1 January 2017	454,915	223,264	76,691	754,870
Addition	-	-	84,517	84,517
Disposal	-	(91,890)	-	(91,890)
Fair value adjustments	1,850	85	-	1,935
At 31 December 2017	456,765	131,459	161,208	749,432

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repair, maintenance and enhancements other than as disclosed in Note 41.

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

The IPUC as at the reporting date is stated at cost less impairment as the fair value is not readily determinable.

5. PREPAID LAND LEASE PAYMENTS

Group	2018 RM'000	2017 RM'000
Cost		
At beginning/end of year	24,018	24,018

5. PREPAID LAND LEASE PAYMENTS (CONTD.)

Group	2018 RM'000	2017 RM'000
Accumulated amortisation and impairment losses		
At beginning of year	5,461	5,053
Amortisation charge for the year	487	408
At end of year	5,948	5,461
Analysed as:		
Accumulated amortisation	5,771	5,284
Accumulated allowance for impairment losses	177	177
	5,948	5,461
Net book value at end of the year	18,070	18,557

6. INTANGIBLE ASSETS

Group	Computer Software and Licences RM'000	Software Development Cost RM'000	Total RM'000
2018			
Cost			
At beginning of year	162,035	5,681	167,716
Additions	22,994	-	22,994
Disposals	(2,065)	(20)	(2,085)
Reclassification	5,661	(5,661)	-
Transfer from:			
- property, plant and equipment	1,057	-	1,057
Translation differences	(286)	-	(286)
At end of year	189,396	-	189,396
Accumulated amortisation and impairment losses			
At beginning of year	83,986	-	83,986
Amortisation charge for the year	12,240	-	12,240
Retirement	(6)	-	(6)
Translation differences	18	-	18
At end of year	96,238	-	96,238
Analysed as:			
Accumulated amortisation	96,238	-	96,238
Net book value at end of the year	93,158	-	93,158

6. INTANGIBLE ASSETS (CONTD.)

Group	Computer Software and Licences RM'000	Software Development Cost RM'000	Total RM'000
2017			
Cost			
At beginning of year	140,254	5,920	146,174
Additions	17,752	3,081	20,833
Disposals	(289)	-	(289)
Transfer from/(to) property, plant and equipment	4,456	(3,320)	1,136
Translation differences	(138)	-	(138)
At end of year	162,035	5,681	167,716
Accumulated amortisation and impairment losses			
At beginning of year	74,298	-	74,298
Amortisation charge for the year	9,734	-	9,734
Translation differences	(46)	-	(46)
At end of year	83,986	-	83,986
Analysed as:			
Accumulated amortisation	83,986	-	83,986
Accumulated allowance for impairment losses	-	-	-
	83,986	-	83,986
Net book value at end of the year	78,049	5,681	83,730
Company			
At beginning of year	-	-	-
Additions	8	-	8
At end of year	8	-	8
Accumulated amortisation and impairment losses			
At beginning of year	-	-	-
Amortisation charge for the year	1	-	1
At end of year	1	-	1
Net book value at end of the year	7	-	7

7. INVESTMENT IN SUBSIDIARIES

Company	2018 RM'000	2017 RM'000
Unquoted shares, at cost	2,412,323	2,606,470

Details of the subsidiaries of the Company are as follows:

Name of company	Country of incorporation	Effective (%) 2018	Effective (%) 2017	Principal activities
Etiqa General Insurance Berhad ("EGIB"), formerly known as EIB*	Malaysia	100	100	Underwriting of general insurance businesses
Etiqa Life Insurance Berhad ("ELIB")*	Malaysia	100	100	Underwriting of life insurance and investment-linked businesses
Etiqa Family Takaful Berhad ("EFTB"), formerly known as ETB*	Malaysia	100	100	Management of family takaful and investment-linked businesses
Etiqa General Takaful Berhad ("EGTB")*	Malaysia	100	100	Management of general takaful business
Etiqa Insurance Pte. Ltd. ("EIPL")	Singapore	100	100	Underwriting of general insurance and life insurance businesses
Etiqa Life International (L) Ltd. ("ELIL")	Malaysia	100	100	Offshore investment-linked business
Etiqa Offshore Insurance (L) Ltd. ("EOIL")	Malaysia	100	100	Provision of bureau services in the Federal Territory of Labuan
Etiqa Overseas Investment Pte. Ltd. ("EOIP")	Malaysia	100	100	Investment holding
Double Care Sdn Bhd ("DCSB")	Malaysia	100	100	Under members' voluntary winding-up

7. INVESTMENT IN SUBSIDIARIES (CONTD.)

* On 1 January 2018, the MAHB Group has successfully completed the Conversion of Composite Licences to Single Licences (“Licence Split”) and surrendered the composite licences in exchange for the four single licences. Consequently, EIB was renamed to EGIB and will be principally engaged in the underwriting of General Insurance business and ETB was renamed to EFTB and will be principally engaged in the underwriting of Family Takaful business.

There are no significant restrictions on the Group's ability to access or use its assets and settle its liabilities other than the following:

(a) In line with the requirements of the Financial Services Act 2013, the Islamic Financial Services Act 2013 and the Labuan Financial Services and Securities Act 2010 ("LFSSA"), the net assets of the Group's insurance and takaful funds amounting to RM22.67 billion (2017: RM21.14 billion) cannot be transferred to or used by other entities/components within the Group;

(b) The total capital available of the Company's insurance and takaful subsidiaries as prescribed under the RBC Frameworks for Insurers and Takaful Operators issued by BNM are RM4.94 billion (2017: RM5.11 billion) and RM4.94 billion (2017: RM3.91 billion) respectively;

(c) The available solvency capital of the Company's insurance subsidiary in Singapore as prescribed under the Risk-Based Capital Framework regulation set by the Monetary Authority of Singapore ("MAS") is RM632.92 million (2017: RM512.65 million) or SGD208.68 million (2017: SGD169.22 million). The Company's insurance subsidiary in Singapore has a CAR in excess of the current requirement as at 31 December 2018 and 2017; and

(d) ELIL, the Company's insurance subsidiary in Labuan, is required to maintain at all times a surplus of assets over liabilities, which is:

(i) equivalent to, or more than 3% of actuarial liabilities valuation; or
(ii) RM7,500,000, whichever is greater.

As at 31 December 2018, the margin of solvency of the Company's insurance subsidiary in Labuan is a surplus of RM8.54 million (2017: RM8.87 million) or USD2.06 million (2017: USD2.19 million) which complies with the requirements of Section 109 of the LFSSA 2010.

8. INVESTMENT IN ASSOCIATES

Group	Pak-Kuwait Takaful Company		Asian Forum Inc.		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	6,832	6,832	152	152	6,984	6,984
Post-acquisition reserve	1,262	1,262	1,620	1,620	2,882	2,882
Foreign exchange reserve	(502)	(502)	(534)	(534)	(1,036)	(1,036)
Allowance for impairment losses	(7,592)	(7,592)	-	-	(7,592)	(7,592)
	-	-	1,238	1,238	1,238	1,238
Represented by:						
Share of net assets, after impairment losses	-	-	1,238	1,238	1,238	1,238

The associates are as follows:

Name of company	Country of incorporation	Effective interest (%) 2018	Effective interest (%) 2017	Principal activities
Pak-Kuwait Takaful Company Ltd.	Pakistan	32.50	32.50	General takaful business
Asian Forum Inc.	Malaysia	33.33	33.33	Under members' voluntary

The summarised financial information of the associates are as follows:

	Pak-Kuwait Takaful Company		Asian Forum Inc.	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets and liabilities				
Current assets	3,907	3,907	3,862	3,862
Non-current assets	1,946	1,946	-	-
Total assets	5,853	5,853	3,862	3,862
Current liabilities	3,988	3,988	-	-
Non-current liabilities	-	-	-	-
Total liabilities	3,988	3,988	-	-
Results				
Revenue	(305)	(305)	-	-
Profit/loss for the year	(985)	(985)	-	-

8. INVESTMENT IN ASSOCIATES (CONTD.)

The financial year end for both associates is 31 December. The Pak Kuwait Takaful Company's latest available financial statement is as at 30 September 2017. There is no subsequent available information for disclosure purposes. Asian Forum Inc. has been put under a members' voluntary winding-up exercise effective from 2017.

9. INVESTMENTS

Group	2018 RM'000	2017 RM'000
Malaysian government papers	1,243,609	1,210,903
Singapore government securities	657,333	402,156
Debt securities	21,587,512	19,225,711
Equity securities	2,463,869	3,184,745
Unit and property trust funds	170,587	146,963
Structured products (Note 10)	324,451	389,631
Negotiable certificates of deposit ("NCD")	-	145,462
Negotiable Islamic certificates of deposit ("NICD")	-	128,157
Deposits with financial institutions	2,477,557	2,318,944
	28,924,918	27,152,672

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

Group	2018 RM'000	2017 RM'000
Fair value through profit or loss ("FVTPL")(Note a):		
- Designated upon initial recognition	15,793,650	12,825,920
- Held for trading ("HFT")	2,735,956	1,378,981
Fair value through other comprehensive income ("FVOCI") (Note b)	8,038,954	-
Amortised Cost ("AC")(Note c)	2,356,358	-
Available-for-sale ("AFS")	-	10,628,827
Loan and receivables ("LAR")	-	2,318,944
	28,924,918	27,152,672

9. INVESTMENTS (CONTD.)

The following investments mature after 12 months:

Group	2018 RM'000	2017 RM'000
FVTPL:		
- Designated upon initial recognition	14,755,452	11,083,518
- HFT	378,485	353,323
FVOCI	7,287,258	-
AFS	-	6,978,929
	22,421,195	18,415,770

Group	2018 RM'000	2017 RM'000
(a) FVTPL		
(i) Designated upon initial recognition		
At fair value		
Malaysian government papers	562,540	381,084
Singapore government securities	45,184	364,461
Debt securities:		
Quoted outside Malaysia	573,679	587,445
Unquoted in Malaysia	13,790,978	10,703,790
Unquoted outside Malaysia	97,776	148,645
Equity securities:		
Quoted outside Malaysia	381,852	-
Unit and property trust funds:		
Quoted outside Malaysia	19,055	-
Structured products (Note 10)	322,586	386,595
NCD	-	145,462
NICD	-	108,438
Total financial assets designated as FVTPL upon initial recognitions	15,793,650	12,825,920

9. INVESTMENTS (CONTD.)

Group	2018 RM'000	2017 RM'000
(a) FVTPL (Contd.)		
(ii) HFT		
At fair value		
Malaysian government papers	37,307	92,762
Debt securities:		
Unquoted in Malaysia	342,036	260,422
Equity securities:		
Quoted in Malaysia	1,934,052	969,222
Quoted outside Malaysia	7,808	-
Unquoted in Malaysia	140,157	-
Unit and property trust funds:		
Quoted in Malaysia	34,390	1,740
Quoted outside Malaysia	117,142	51,799
Structured products (Note 10)	1,865	3,036
Fixed and call deposits with licensed bank	121,199	-
Total HFT financial assets	2,735,956	1,378,981
(b) FVOCI		
At fair value		
Malaysian government papers	643,762	-
Singapore government securities	612,149	-
Debt securities:		
Quoted outside Malaysia	514,824	-
Unquoted in Malaysia	6,268,219	-
Total FVOCI financial assets	8,038,954	-
(c) AC		
Fixed and call deposits with:		
Licensed financial institutions	2,103,312	-
Others	253,046	-
Total financial assets designated as AC	2,356,358	-

9. INVESTMENTS (CONTD.)

Group	2018 RM'000	2017 RM'000
(d) AFS		
At fair value		
Malaysian government papers	-	737,057
Singapore government securities	-	37,695
Debt securities:		
Quoted outside Malaysia	-	226,476
Unquoted in Malaysia	-	7,290,153
Unquoted outside Malaysia	-	8,780
Equity securities:		
Quoted in Malaysia	-	1,973,497
Quoted outside Malaysia	-	189,775
Unit and property trust funds:		
Quoted in Malaysia	-	58,963
Quoted outside Malaysia	-	34,461
NICD	-	19,719
At cost		
Equity securities:		
Unquoted in Malaysia		
Cost	-	55,032
Less: Allowance for impairment losses	-	(2,781)
	-	52,251
Total AFS financial assets	-	10,628,827
(e) LAR		
Fixed and call deposits with:		
Licensed financial institutions	-	2,140,463
Others	-	178,481
Total LAR financial assets	-	2,318,944

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

Included in AC/LAR financial assets are assets amounting to RM38,000,000 (2017: RM38,000,000) which have been pledged to obtain banking facility and Islamic bank guarantee facilities from MBB and Maybank Islamic Berhad.

9. INVESTMENTS (CONTD.)

Company	2018 RM'000	2017 RM'000
Deposits with financial institutions	11,807	72,148

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

AC	11,807	-
LAR	-	72,148
	11,807	72,148

(a) AC

Fixed and call deposits with		
Licensed financial institutions	9,837	-
Others	1,970	-
	11,807	-

(b) LAR

Fixed and call deposits with		
Licensed financial institutions	-	65,265
Others	-	6,883
	-	72,148

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

Fair Value of Financial Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 49.

10. STRUCTURED PRODUCTS

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

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

	<---------- 2018 ---------->		<---------- 2017 ---------->	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets at FVTPL				
Structured deposits	349,320	322,586	400,000	386,595
Index-linked notes	27,063	1,865	33,663	3,036
Grand total	376,383	324,451	433,663	389,631

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

11. FINANCING RECEIVABLES

	2018 RM'000	2017 RM'000
Group		
Policy/automatic premium loans	212,110	209,454
Corporate loans	3,331	3,331
Staff loans:		
Secured	48,840	46,846
Unsecured	1	1
Non-staff loans	9,679	9,723
Allowance for impairment losses (Note 46(i))	(11,596)	(11,577)
	262,365	257,778
Receivable after 12 months	42,135	42,814

11. FINANCING RECEIVABLES (CONTD.)

	2018 RM'000	2017 RM'000
Company		
Staff loans:		
Secured	2,086	1,113
Unsecured	1	1
Allowance for impairment losses (Note 46(i))	(4)	(1)
	2,083	1,113
Receivable after 12 months	833	927

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

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

	2018 Per annum	2017 Per annum
Policy/automatic premium loans	8.00%	8.00%
Non-staff loans	5.17%	6.48%
Staff loans	2.49%	4.08%

12. REINSURANCE/RETAKAFUL ASSETS

Group	2018 RM'000	2017 RM'000
Reinsurers' share of:	2,828,768	2,743,040
Life insurance contract liabilities	52,240	40,472
General insurance contract liabilities	2,776,528	2,702,568
Retakaful operators' share of:	305,976	341,257
Family takaful certificate liabilities	73,801	79,085
General takaful certificate liabilities	232,175	262,172
	3,134,744	3,084,297
Allowance for impairment losses (Note 45(i))	(2,642)	(1,924)
	3,132,102	3,082,373

13. INSURANCE/TAKAFUL RECEIVABLES

Group	2018 RM'000	2017 RM'000
Due premiums including agents/brokers and co-insurers/co-takaful balances	442,179	426,164
Due from reinsurers/retakaful operators and cedants	85,804	205,864
	527,983	632,028
Allowance for impairment losses (Note 46(i))	(13,963)	(16,728)
	514,020	615,300

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

2018	Gross carrying amount RM'000	Gross amount recognised in insurance payables offset in Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
Due premiums including agents/brokers and co-insurers/co-takaful balances	488,018	(45,839)	442,179
Due from reinsurers/retakaful operators and cedants	126,471	(40,667)	85,804
	614,489	(86,506)	527,983
2017			
Due premiums including agents/brokers and co-insurers/co-takaful balances	451,592	(25,428)	426,164
Due from reinsurers/retakaful operators and cedants	269,539	(63,675)	205,864
	721,131	(89,103)	632,028

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

Included in due premiums including agents/brokers and co-insurers/co-takaful balances and due from reinsurance/retakaful operators and cedants are from related parties amounting to RM9,681,101 and RM11,646,206 respectively (2017: RM9,257,951 and NIL). The amount receivable are subject to settlement terms stipulated in the underlying insurance contracts and takaful certificates.

14. OTHER RECEIVABLES

	2018 RM'000	2017 RM'000
Group		
Management fees	445	1,186
Collective allowance for impairment losses	(63)	(68)
	382	1,118
Sundry receivables, deposits and prepayments	72,596	55,864
Individual allowance for impairment losses	(10,765)	(10,277)
	61,831	45,587
Income and profits due and accrued	340,843	283,166
Individual allowance for impairment losses	(567)	(106)
	340,276	283,060
Receivables arising from disposal of investment property	-	178,251
Amount due from*:		
- Ultimate holding company	618	1,215
- Holding company	-	1
- Other related companies within the MBB Group	179	152
Amount due from stockbrokers	136,882	293,869
Share of net assets in Malaysia Motor Insurance Pool ("MMIP")	56,398	56,905
Goods and service tax recoverable	7,640	-
	201,717	530,393
Total other receivables	604,206	860,158
Company		
Income and profits due and accrued	343	506
Amount due from related parties*:		
- Holding company	16	-
- Within the MAHB Group	11,592	9,587
	11,608	9,587
Allowance for impairment losses	(7,161)	(7,161)
Total other receivables	4,790	2,932

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

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

Included in sundry receivables and income due and acrrued are balances due from related parties amounting to RM11,682,597 (2017: RM14,055,898).

15. DERIVATIVES

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

	<----------2018---------->			<----------2017---------->		
	Principal/ Notional Amount RM'000	**Asset RM'000**	**Liability RM'000**	**Principal/ Notional Amount RM'000**	**Asset RM'000**	**Liability RM'000**
Hedging derivatives:						
Cross currency swap	51,747	-	14,168	96,097	-	25,791
Foreign currency swap	-	-	-	590,527	9,897	15
Forward foreign exchange contract	952,618	4,124	1,295	89,227	2,836	-
Total derivatives		4,124	15,463		12,733	25,806

The fair value of derivatives are 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 49.

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 investment. The Group enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in USD denominated mutual funds.

Swaps are contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specified underlying index such as interest rates, foreign currency rates or equity indices. The Group uses swap contracts to hedge the principal amount invested in foreign debt securities denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

16. DEFERRED TAXATION

	2018 RM'000	2017 RM'000
Group		
At beginning of year (As previously stated)	(620,567)	(609,831)
Effect of adopting MFRS 9	(19,334)	-
At beginning of year (As restated)	(639,901)	(609,831)
Recognised in:		
Profit or loss (Note 37)	255,143	(25,390)
- Taxation borne by policyholders/participants	(10,331)	(19,505)
- Tax expense of the Group	265,474	(5,885)
Other comprehensive income (Note 37)	(5,545)	9,281
Insurance/takaful contract liabilities	-	3,835
Exchange differences	(1,504)	1,538
At end of year	(391,807)	(620,567)

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 statements of financial position of the Group is presented on a gross basis as it relates to different entities within the Group as follows:

	2018 RM'000	2017 RM'000
Deferred tax assets	17,559	9,789
Deferred tax liabilities	(409,366)	(630,356)
	(391,807)	(620,567)

Company		
Deferred tax liabilities at the beginning of the year	-	(153)
Recognised in other comprehensive income (Note 37)	-	153
Deferred tax liabilities at the end of the year	-	-

16. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

Group	Fair value adjustment	Net accretion of discounts on investments	Impairment losses on receivables	Impairment losses on investments	General insurance liabilities	Others	Total
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018 (As previously stated)	-	2,152	1,707	6,601	(673)	2	9,789
Effect of adopting MFRS 9	6,617	-	559	538	-	-	7,714
At 1 January 2018 (As restated)	6,617	2,152	2,266	7,139	(673)	2	17,503
Reclassification		1,714	824	-	699	(2)	3,235
Recognised in:							
Profit or loss	(2,441)	4,961	23	(5,709)	21	-	(3,145)
- Taxation borne by policyholders/participants	466	5,640	1,581	(3,811)	21	-	3,897
- Tax expense of the Group	(2,907)	(679)	(1,558)	(1,898)	-	-	(7,042)
Other Comprehensive Income	-	-	-	(34)	-	-	(34)
At 31 December 2018	4,176	8,827	3,113	1,396	47	-	17,559
2017							
At 1 January 2017		2,292	1,322	5,304	38	2	8,958
Recognised in:							
Profit or loss		(140)	385	1,297	(711)	-	831
- Taxation borne by policyholders/participants		(327)	399	741	(14)	-	799
- Tax expense of the Group		187	(14)	556	(697)	-	32
At 31 December 2017		2,152	1,707	6,601	(673)	2	9,789

16. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

Group 2018	Net accretion of discounts on investments RM'000	Accelerated capital allowances RM'000	Fair value adjustment RM'000	FVOCI reserve RM'000	Life insurance contract liabilities RM'000	Non-Participating Fund unallocated surplus RM'000	Unit-linked RM'000	Others RM'000	Total RM'000
At 1 January 2018 (As previously stated)	1,714	(7,488)	(12,808)	14,845	(59,645)	(558,529)	(6,811)	(1,634)	(630,356)
Effect of adoption of MFRS 9	-	-	(10,372)	(8,170)	-	(8,043)	-	(463)	(27,048)
At 1 January 2018 (As restated)	1,714	(7,488)	(23,180)	6,675	(59,645)	(566,572)	(6,811)	(2,097)	(657,404)
Reclassification	(1,714)	-	-	(1,661)	-	-	-	140	(3,235)
Recognised in:									
Profit or loss	-	(3,791)	1,875	429	(22,531)	271,560	8,397	2,349	258,288
- Taxation borne by policyholders/participants	-	(1,742)	(142)	-	(22,531)	-	8,397	1,790	(14,228)
- Tax expense of the Group	-	(2,049)	2,017	429	-	271,560	-	559	272,516
Other comprehensive income	-	-	-	(4,312)	-	-	-	(1,199)	(5,511)
Exchange differences	-	910	-	579	(2,993)	-	-	-	(1,504)
At 31 December 2018	-	(10,369)	(21,305)	1,710	(85,169)	(295,012)	1,586	(807)	(409,366)

16. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities (Contd.)

Group 2017	Net accretion of discounts on investments RM'000	Accelerated capital allowances RM'000	Fair value adjustment RM'000	AFS reserves RM'000	Life insurance contract liabilities RM'000	Non-Participating Fund Unallocated Surplus RM'000	Unit-linked RM'000	Others RM'000	Total RM'000
At 1 January 2017	1,873	(6,887)	(35,758)	1,714	(37,307)	(536,236)	(1,964)	(4,224)	(618,789)
Recognised in:									
Profit or loss	(159)	(625)	22,950	-	(23,837)	(22,293)	(4,847)	2,590	(26,221)
- Taxation borne by policyholders/participants	87	(282)	6,131	-	(23,837)	-	(4,847)	2,444	(20,304)
- Tax expense of the Group	(246)	(343)	16,819	-	-	(22,293)	-	146	(5,917)
Other comprehensive income	-	-	-	9,281	-	-	-	-	9,281
Insurance/takaful contract liabilities	-	-	-	3,835	-	-	-	-	3,835
Exchange differences	-	24	-	15	1,499	-	-	-	1,538
At 31 December 2017	1,714	(7,488)	(12,808)	14,845	(59,645)	(558,529)	(6,811)	(1,634)	(630,356)

Company	AFS reserve RM'000
2018	
At 1 January 2018/ 31 December 2018	-
2017	
At 1 January 2017	(153)
Recognised in other comprehensive income	153
At 31 December 2017	-

17. SHARE CAPITAL

	Number of shares		Amount	
	2018 Units '000	2017 Units '000	2018 RM'000	2017 RM'000
Issued and fully paid				
Ordinary shares:				
At beginning of year	252,005	252,005	660,866	252,005
Transfer from:				
- share premium*	-	-	-	401,561
- capital redemption reserve*	-	-	-	7,300
At end of year	252,005	252,005	660,866	660,866

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

18. RESERVES

Group		2018 RM'000	2017 RM'000
FVOCI /AFS reserves	(i)	1,187	(30,656)
Other reserves:			
Revaluation reserve	(ii)	788	1,073
Currency translation reserve	(iii)	51,351	51,096
		52,139	52,169
Retained profits:			
Distributable	(iv)	4,403,290	3,077,685
Non-distributable non-par surplus	(v)	922,723	1,769,633
		5,326,013	4,847,318
Total reserves		5,379,339	4,868,831

18. RESERVES (CONTD.)

	2018 RM'000	2017 RM'000
Company		
Distributable:		
Retained profits	1,759,301	2,019,619
Total reserves	1,759,301	2,019,619

(i) The FVOCI/AFS reserves of the Group arose from changes in the fair values of the financial assets measured at other comprehensive income (2017: AFS investments) in the shareholders' and non-DPF funds.

(ii) The revaluation reserve of the Group represents the difference between the carrying amount of properties previously classified as self-occupied and transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.

(iii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

(iv) The entire distributable retained earnings may be distributed to the shareholder under the single-tier system.

(v) Non-distributable non-par surplus represents the unallocated surplus from the non-DPF fund. In accordance with the Financial Services Act 2013, the unallocated surplus is only available for distribution to the shareholders' fund upon approval by the Appointed Actuary. Upon such approval, the distribution is presented as a transfer from non-distributable non-par surplus to distributable retained profits.

19. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Life insurance/family takaful (Note A)	20,595,386	(126,041)	20,469,345	19,130,891	(119,557)	19,011,334
General insurance/takaful (Note B)	5,204,295	(3,008,703)	2,195,592	5,096,330	(2,964,740)	2,131,590
	25,799,681	(3,134,744)	22,664,937	24,227,221	(3,084,297)	21,142,924

(A) Life Insurance/Family Takaful

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

(i) Life insurance/family takaful contract liabilities

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities	228,329	(14,052)	214,277	225,021	(12,837)	212,184
Actuarial liabilities	16,477,186	(111,989)	16,365,197	15,125,107	(106,720)	15,018,387
DPF's unallocated surplus	2,401,223	-	2,401,223	2,355,649	-	2,355,649
DPF's FVOCI/AFS reserves	(16,191)	-	(16,191)	(29,784)	-	(29,784)
Net asset value ("NAV") attributable to unitholders	1,504,839	-	1,504,839	1,454,898	-	1,454,898
	20,595,386	(126,041)	20,469,345	19,130,891	(119,557)	19,011,334

19. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(A) Life Insurance/Family Takaful (Contd.)

(ii) Movements of life insurance contract/family takaful certificate liabilities

	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's Unallocated Surplus RM'000	DPF's FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Gross Total liabilities RM'000	Reinsurance assets RM'000	Net Total liabilities RM'000
2018								
As at 1 January 2018(As previously state	225,021	15,125,107	2,355,649	(29,784)	1,454,898	19,130,891	(119,557)	19,011,334
Effects of adopting MFRS 9	-	-	(8,268)	5,088	-	(3,180)	-	(3,180)
At 1 January 2018	225,021	15,125,107	2,347,381	(24,696)	1,454,898	19,127,711	(119,557)	19,008,154
Net earned premiums	-	-	2,927,738	-	508,362	3,436,100	(67,953)	3,368,147
Other revenue	-	-	491,705	-	(147,094)	344,611	-	344,611
Experience/benefit variation	3,304	-	-	-	(1)	3,303	20,175	23,478
Net benefits and claims	4	-	(1,353,780)	-	(304,935)	(1,658,711)	43,171	(1,615,540)
Other expenses	-	-	(567,833)	-	(20,350)	(588,183)	-	(588,183)
Change in reserves :								
- Discounting	-	(6,726)	13,646	-	-	6,920	(25,031)	(18,111)
- Assumptions	-	(307,464)	188,532	-	-	(118,932)	53,043	(65,889)
- Policy Movements	-	1,664,961	(1,413,691)	-	-	251,270	(29,882)	221,388
Exchange differences	-	1,308	28	6	50	1,392	(7)	1,385
Changes in FVOCI reserve	-	-	-	8,499	-	8,499	-	8,499
Taxation	-	-	(9,293)	-	13,909	4,616	-	4,616
Transfer to shareholders' funds	-	-	(166,223)	-	-	(166,223)	-	(166,223)
Hibah paid to participants	-	-	(12,273)	-	-	(12,273)	-	(12,273)
Reallocation of unallocated surplus in Annuity PIF to Expense Liabilities (Note 21)	-	-	(44,714)	-	-	(44,714)	-	(44,714)
At 31 December 2018	228,329	16,477,186	2,401,223	(16,191)	1,504,839	20,595,386	(126,041)	20,469,345

19. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(A) Life Insurance/Family Takaful (Contd.)

(ii) Movements of life insurance contract/family takaful certificate liabilities

2017	Claim liabilities RM'000	Actuarial liabilities RM'000	DPF's Unallocated Surplus RM'000	DPF's AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross Total liabilities RM'000	Reinsurance assets RM'000	Net Total liabilities RM'000
At 1 January 2017	216,303	12,546,078	3,552,592	55,985	1,176,089	17,547,047	(78,535)	17,468,512
Reclassification	-	75,582	(75,582)	-	-	-	-	-
Net earned premiums	-	651,676	2,437,524	-	469,934	3,559,134	(63,031)	3,496,103
Other revenue	-	-	906,073	(109,363)	120,943	917,653	-	917,653
Experience/benefit variation	(445)	-	(12,004)	-	(9)	(12,458)	27,801	15,343
Net benefits and claims	9,163	-	(1,307,011)	-	(301,972)	(1,599,820)	36,191	(1,563,629)
Other expenses	-	-	(399,086)	-	(538)	(399,624)	-	(399,624)
Change in reserves:								
- Discounting	-	75,361	(27,011)	-	-	48,350	(2,495)	45,855
- Assumptions	-	93,515	(111,430)	-	-	(17,915)	552	(17,363)
- Policy Movements	-	448,235	(1,204,382)	-	-	(756,147)	(38,064)	(794,211)
Exchange differences	-	6,805	(341)	(88)	(245)	6,131	(1,976)	4,155
Changes in AFS reserve	-	-	-	17,334	-	17,334	-	17,334
Taxation	-	-	(18,094)	6,348	(9,304)	(21,050)	-	(21,050)
Transfer to shareholders' funds	-	-	(129,643)	-	-	(129,643)	-	(129,643)
Hibah paid to participants	-	-	(1,222,096)	-	-	(1,222,096)	-	(1,222,096)
Net asset value attributable to unitholders	-	1,227,855	(33,860)	-	-	1,193,995	-	1,193,995
At 31 December 2017	225,021	15,125,107	2,355,649	(29,784)	1,454,898	19,130,891	(119,557)	19,011,334

19. INSURANCE CONTRACT/TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

(B) General Insurance/Takaful

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities (i)	3,759,920	(2,658,712)	1,101,208	3,808,752	(2,649,946)	1,158,806
Premiums/contribution liabilities (ii)	1,241,697	(349,991)	891,706	1,104,029	(314,794)	789,235
Unallocated surplus of general takaful fund	211,000	-	211,000	196,302	-	196,302
FVOCI/ AFS Reserve	(8,322)	-	(8,322)	(12,753)	-	(12,753)
	5,204,295	(3,008,703)	2,195,592	5,096,330	(2,964,740)	2,131,590

(i) Claims liabilities

At 1 January	3,808,752	(2,649,946)	1,158,806	4,598,159	(3,317,013)	1,281,146
Claims incurred in the current accident year	1,405,114	(432,750)	972,364	1,451,156	(483,689)	967,467
Movements in claims incurred in prior accident years	(111,441)	86,931	(24,510)	(464,009)	364,434	(99,575)
Claims paid during the year	(1,344,495)	349,520	(994,975)	(1,641,278)	668,108	(973,170)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,056	-	1,056	(10,305)	-	(10,305)
Movements in PRAD	1,294	(12,739)	(11,445)	(121,128)	117,169	(3,959)
Exchange differences	(360)	272	(88)	(3,843)	1,045	(2,798)
At 31 December	3,759,920	(2,658,712)	1,101,208	3,808,752	(2,649,946)	1,158,806

(ii) Premium/contribution liabilities

At 1 January	1,104,029	(314,794)	789,235	1,120,761	(306,112)	814,649
Premiums/contributions written in the year	2,721,081	(949,765)	1,771,316	2,499,069	(885,897)	1,613,172
Premiums/contributions earned during the year	(2,578,433)	909,377	(1,669,056)	(2,513,007)	876,083	(1,636,924)
Exchange differences	(4,980)	5,191	211	(2,794)	1,132	(1,662)
At 31 December	1,241,697	(349,991)	891,706	1,104,029	(314,794)	789,235

20. SUBORDINATED OBLIGATIONS

Group	2018 RM'000	2017 RM'000
Tier 2 Capital Subordinated Bond/Sukuk:		
- RM500 million from EGIB (a)	-	500,000
- RM300 million from EFTB (b)	300,000	300,000
	300,000	800,000
Interest/profit payable on subordinated obligations	1,189	11,308

(a) Tier 2 Capital Subordinated Bond

Issued date	:	5 July 2013
Tenure	:	10 years from issue date on 10 non-callable 5 basis (Due in 2023)
Interest payable	:	4.13% per annum payable semi-annually in arrears in January and July each year.
Redemption	:	EGIB has redeemed the bond, in whole on 5 July 2018 (first call date) (Note 50)

(b) Tier 2 Capital Subordinated Sukuk

Issued date	:	30 May 2014
Tenure	:	10 years from issue date on 10 non-callable 5 basis (Due in 2024)
Profit payable	:	4.52% per annum payable semi-annually in arrears in May and November each year.
Optional Redemption	:	EFTB may, subject to the prior consent of BNM, redeem the Sukuk, in whole or in part, on 30 May 2019 (first call date) and each semi-annual profit payment date EFTB hereafter at the principal amount together with expected return less periodic distribution made.

The fair value of the subordinated obligations is RM300,480,000 (2017: RM300,684,000), and is determined by reference to indicative ask-prices obtained from Bondweb provided by BPAM. The fair value of subordinated obligations is categorised under Level 2 of the fair value hierarchy as the valuations were mainly based on market observable inputs.

21. EXPENSE LIABILITIES

Group	2018 RM'000	2017 RM'000
UWF of General Takaful fund	127,590	137,916
UER of Family Takaful fund	445,941	379,794
	573,531	517,710

	UWF of General Takaful fund RM'000	UER of Family Takaful fund RM'000	Expense overrun of Life fund RM'000	Total RM'000
2018				
At beginning of the year	137,916	379,794	-	517,710
Wakalah fee received during the year	411,769	-	-	411,769
Wakalah fee earned during the year	(422,095)	-	-	(422,095)
Movement in UWF (Note 35)	(10,326)	-	-	(10,326)
Movement in UER (Note 35)	-	21,433	-	21,433
Transfer from Family Takaful Fund - Annuity (Note 19)	-	44,714	-	44,714
At end of the year	127,590	445,941	-	573,531
2017				
At beginning of the year	135,813	390,775	390	526,978
Wakalah fee received during the year	370,071	-	-	370,071
Wakalah fee earned during the year	(367,968)	-	-	(367,968)
Movement in UWF (Note 35)	2,103	-	-	2,103
Movement in UER (Note 35)	-	(10,981)	-	(10,981)
Movement in expense overrun of Life fund (Note 35)	-	-	(390)	(390)
At end of the year	137,916	379,794	-	517,710

22. INSURANCE/TAKAFUL PAYABLES

	2018 RM'000	2017 RM'000
Group		
Due to agents and intermediaries	140,871	139,714
Due to reinsurers and cedants	373,809	278,815
Due to retakaful operators	51,772	80,490
	566,452	499,019

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

2018	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
Due to agents and intermediaries	186,713	(45,839)	140,874
Due to reinsurers and cedants	387,901	(14,092)	373,809
Due to retakaful operators	78,347	(26,575)	51,772
	652,961	(86,506)	566,455
2017			
Due to agents and intermediaries	156,273	(16,559)	139,714
Due to reinsurers and cedants	299,504	(20,689)	278,815
Due to retakaful operators	116,210	(35,720)	80,490
	571,987	(72,968)	499,019

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

Included in due contributions including agents, brokers and co-takaful balances as well as amount due to reinsurers and cedants are balances due to related parties amounting to RM551,851 and NIL. (2017: RM979,195 and RM580,522).

23. OTHER PAYABLES

	2018 RM'000	2017 RM'000
Group		
Premium/contribution deposits	197,831	171,384
Dividend payable to policyholders	78,997	80,316
Amount due to*:		
- Ultimate holding company	8,332	10,378
- Holding company	-	28
- Other related companies within the MBB Group	1,715	-
Amount due to stockbrokers	41,762	59,924
Mudharabah payable	181,510	185,957
Unclaimed monies	75,165	102,302
Provisions for expenses	67,033	25,621
Sundry payables and accrued liabilities	565,918	520,319
	1,218,263	1,156,229
Company		
Amount due to*:		
- Ultimate holding company	-	272
Provisions for expenses	-	6,475
Sundry payables and accrued liabilities	13,267	336
	13,267	7,083

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

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

Included in sundry payables and acrrued liabilities are balances due to related parties amounting to RM 29,837,261 (2017: RM 8,147,000).

24. OPERATING REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross premiums/contributions	6,784,331	5,952,220	-	-
Investment income (Note 27)	1,259,760	1,214,131	6,002	1,106,451
	8,044,091	7,166,351	6,002	1,106,451

25. NET EARNED PREMIUMS/CONTRIBUTIONS

Group	2018 RM'000	2017 RM'000
(a) Gross earned premiums/contributions		
Life insurance contracts	2,542,930	2,152,609
General insurance contracts	1,362,602	1,236,244
Family takaful contracts	1,569,424	1,345,132
General takaful contracts	1,309,375	1,218,235
Gross premiums/contributions	6,784,331	5,952,220
Change in premium/contribution liabilities	(142,648)	13,938
Gross earned premiums/contributions	6,641,683	5,966,158
(b) Earned premiums/contributions ceded to reinsurers/retakaful operators		
Life insurance contracts	(26,131)	(24,010)
General insurance contracts	(776,901)	(699,930)
Family takaful contracts	(67,953)	(63,031)
General takaful contracts	(120,395)	(141,534)
Premium/contribution ceded to reinsurers/retakaful operators	(991,380)	(928,505)
Change in premium/contribution liabilities	40,388	9,814
Earned premium/contribution ceded to reinsurers/ retakaful operators	(950,992)	(918,691)
Net earned premiums/contributions	5,690,691	5,047,467

26. FEE AND COMMISSION INCOME

Group	2018 RM'000	2017 RM'000
Profit commission	1,000	7,103
Reinsurance/retakaful commission income	74,950	76,935
Others	1,125	3,473
Fee and commission income related to insurance/takaful contracts	77,075	87,511

27. INVESTMENT INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
FVTPL Financial Assets				
(i) Designated upon initial recognition				
Interest/profit income	741,812	623,748	-	-
Dividend/distribution income				
- equity securities quoted in Malaysia	11,811	-	-	-
- quoted outside Malaysia	15,042	-	-	-
- unquoted in Malaysia	706	-	-	-
- unquoted outside Malaysia	610	-	-	-
	769,981	623,748	-	-
(ii) HFT				
Interest/profit income	23,236	16,751	-	-
Dividend/distribution income				
- equity securities quoted in Malaysia	46,823	20,994	-	-
- unquoted in Malaysia	73	-	-	-
- unquoted outside Malaysia	7	-	-	-
- unit and property trusts	76	107	-	-
	70,215	37,852	-	-
FVOCI Financial Assets				
Interest/profit income	331,457	-	-	-
Dividend/distribution income				
- Equities securities quoted in Malaysia	1,056	-	-	-
	332,513	-	-	-

27. INVESTMENT INCOME (CONTD.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
AC Financial Assets				
Interest/profit income	79,617	-	6,002	-
AFS financial assets				
Interest/profit income	-	384,647	-	-
Dividend/distribution income				
(i) Equity securities:				
- quoted in Malaysia	-	46,671	-	-
- quoted outside Malaysia	-	7,518	-	-
- unquoted in Malaysia	-	778	-	-
- unit and property trusts	-	6,257	-	2,697
(ii) From subsidiaries	-	-	-	1,100,000
	-	445,871	-	1,102,697
LAR				
Interest/profit income	-	89,784	-	3,629
Interest/profit income from financing receivables and other loans	19,500	18,721	-	24
Rental income	15,866	18,583	-	-
Net amortisation of premiums	(17,484)	(17,152)	-	-
Other investment income	55	4,771	-	101
Management fee income	3,253	3,495	-	-
Investment related expenses	(13,756)	(11,542)	-	-
	7,434	106,660	-	3,754
Total investment income	1,259,760	1,214,131	6,002	1,106,451

28. REALISED (LOSSES)/GAINS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Realised gain/(loss) on disposal of property, plant and equipment	4,004	(216)	-	-
Realised (loss)/gain on disposal of investment properties	(183)	75,819	-	-
Realised gains/(losses) on disposal of:				
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	(1,174)	3,931	-	-
Equity securities	(124,824)	-	-	-
Debt securities	24,129	41,633	-	-
Unit and property trusts	(10,977)	-	-	-
Other investments	(13,741)	8,742	-	-
Derivative liabilities, net	461	-	-	-
	(126,126)	54,306	-	-
(ii) HFT				
Malaysian government papers	448	78	-	-
Equity securities	(306,220)	34,596	-	-
Debt securities	1,491	(381)	-	-
Unit and property trusts	548	(240)	-	-
Other investments	(410)	-	-	-
Derivative assets	-	11,424	-	-
	(304,143)	45,477	-	-
FVOCI financial assets				
Malaysian government papers	594	-	-	-
Equity securities	(34,323)	-	-	-
Debt securities	7,726	-	-	-
Other investments	(4)	-	-	-
	(26,007)	-	-	-

28. REALISED (LOSSES)/GAINS (CONTD.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
AFS financial assets				
Malaysian government papers	-	1,724	-	-
Equity securities	-	380,245	-	-
Debt securities	-	9,396	-	-
Unit and property trusts	-	11,646	-	533
	-	403,011	-	533
Total realised (losses)/gains	(452,455)	578,397	-	533

29. FAIR VALUE (LOSSES)/GAINS

Group	2018 RM'000	2017 RM'000
Fair value gains:		
Investment properties	31,708	1,935
Financial assets at FVTPL:		
- designated upon initial recognition	19,005	(16,201)
- HFT	(112,507)	99,645
Total fair value losses on financial assets at FVTPL	(93,502)	83,444
Total fair value (losses)/gains	(61,794)	85,379

30. OTHER OPERATING INCOME/(EXPENSES), NET

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other income				
Gain on foreign exchange				
- realised	256	4,138	-	-
- unrealised	15,245	1,274	-	-
Processing income	57	42	-	-
Recovery of bad debts	8,940	27	-	-
Reversal of impairment losses on:				
- receivables	6,992	3,217	-	-
- investments	262	-	-	-
- others	376	-	-	-
Surrender charges	28	-	-	-
Sundry income	17,472	20,482	141	116
	49,628	29,180	141	116
Other expenses				
Bad debts written off	(2,211)	(1,327)	-	-
Impairment losses on:				
- receivables	(1,798)	(7,391)	(899)	-
- insurance/takaful receivables	(2,087)	678	-	-
- investments	(543)	(56,512)	-	-
- other impairments	(992)	(1,399)	-	-
Losses on foreign exchange				
- realised	(9,896)	(18,776)	(333)	-
- unrealised	(2,213)	(72,568)	(71)	-
Property, plant and equipment written off	-	(1)	-	-
Sundry expenditure	(3,080)	(16,488)	-	-
	(22,820)	(173,784)	(1,303)	-
Total other operating income/(expenses), net	26,808	(144,604)	(1,162)	116

31. NET BENEFITS AND CLAIMS

	2018 RM'000	2017 RM'000
Group		
(a) Gross Benefits and Claims Paid		
Life insurance	(1,060,699)	(1,248,403)
General insurance	(609,785)	(864,554)
Family takaful	(889,852)	(763,280)
General takaful	(728,707)	(768,080)
	(3,289,043)	(3,644,317)
(b) Claims Ceded to Reinsurers/Retakaful		
Life insurance	13,583	12,848
General insurance	310,704	564,548
Family takaful	47,778	35,228
General takaful	32,733	94,916
	404,798	707,540
(c) Gross Change in Contract/Certificate Liabilities		
Life insurance	(957,855)	(1,029,473)
General insurance	(36,543)	740,005
Family takaful	(517,712)	(698,957)
General takaful	(13,260)	(66,749)
	(1,525,370)	(1,055,174)
(d) Change in Contract/Certificate Liabilities Ceded to Reinsurers/Retakaful		
Life insurance	11,821	11,808
General insurance	38,124	(667,603)
Family takaful	(5,283)	29,410
General takaful	(29,088)	1,582
	15,574	(624,803)

32. MANAGEMENT EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Employee benefits expense (a)	452,758	387,375	46,543	16,901
Directors' remuneration (Note 33)	6,630	4,763	1,256	877
Shariah Committee's remuneration (Note 34)	394	274	-	-
Auditors' remuneration:				
- statutory audits	2,184	1,642	131	70
- interim audits	-	353	-	-
- regulatory related services	77	70	-	-
- other services	448	65	15	14
Amortisation of intangible assets	12,240	9,734	-	-
Amortisation of prepaid land lease payments	487	408	-	-
Auto assist service	7,900	7,642	-	-
Assured medical fees	1,856	4,617	-	-
Bank charges	26,552	23,700	293	7
Depreciation of property, plant and equipment	14,527	13,954	117	10
Fund management fees	-	2,585	-	-
Interest expenses	28	-	-	-
Other management fees	7,549	3,437	2,181	102
Professional fees	5,880	7,257	-	3,685
Rental of offices/premises	14,181	11,839	899	102
Office facilities expenses	640	(1,321)	-	-
Electronic data processing expenses	21,340	18,364	445	-
Outsourcing services	6,954	2,769	-	88
Maybank Shared Service Cost	16,734	17,934	(8)	172
Postage and stamp duties	6,300	5,576	-	1
Printing and stationery	7,229	5,727	17	59
Promotional and marketing cost	106,956	66,208	-	-
Training expenses	6,234	5,948	345	127
Utilities, assessment and maintenance	7,955	11,316	269	286
Entertainment	1,452	1,239	11	7
Travelling expenses	6,305	4,507	416	105
Legal fees	1,411	1,627	224	1
Other expenses	68,597	90,709	5,328	1,865
Total management expenses	811,798	710,318	58,482	24,479

32. MANAGEMENT EXPENSES (CONTD.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Employee Benefits Expense:				
Wages, salaries and bonuses	338,788	295,473	34,507	12,811
EPF, CPF and TAP	52,021	43,004	6,309	1,566
SOCSO	2,003	1,599	100	23
Share based compensation	239	1,974	-	728
Other benefits	59,707	45,325	5,627	1,773
	452,758	387,375	46,543	16,901

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

	Company	
	2018 RM'000	2017 RM'000
Salary	1,440	1,200
Directors fees	73	70
Bonus	1,500	840
EPF and Pension Scheme	483	340
Share based compensation	850	687
Other emoluments	116	115
	4,462	3,252

33. DIRECTORS' FEES AND REMUNERATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors:				
Fees	649	417	173	117
Other emoluments	55	28	16	4
	704	445	189	121
Non-executive directors:				
Fees	5,245	3,873	936	666
Other emoluments	681	445	131	90
	5,926	4,318	1,067	756
Total directors' fee and remuneration	6,630	4,763	1,256	877

33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

	<---------- Company ---------->			<---------- Subsidiaries ---------->			Group
2018	Fees RM'000	Other Emoluments RM'000	Total RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000	Grand Total RM'000
Executive directors:							
Puan Nora Abd. Manaf	-	-	-	238	15	253	253
Dato' Mohamed Rafique Merican	-	-	-	238	24	262	262
Dato' Amirul Feisal Wan Zahir	173	16	189	-	-	-	189
	173	16	189	476	39	515	704
Non-executive directors:							
Mr. Koh Heng Kong	-	-	-	238	50	288	288
Dato' Mohamed Rafique Merican	-	-	-	-	-	-	-
Dr Abdul Rahim Abd Rahman	-	-	-	238	28	266	266
Mr. Loh Lee Soon	-	-	-	265	48	313	313
Datuk R. Karunakaran	212	34	246	349	29	378	624
Mr. Bart K.A De Smet	141	10	151	-	-	-	151
Mr. Gary Lee Crist	205	40	245	-	-	-	245
Dato' Mohd Salleh Hj Harun	-	-	-	224	12	236	236
Dr. John Lee Hin Hock	-	-	-	179	18	197	197
Dato' Johan Ariffin	151	21	172	508	75	583	755
Mr. Philippe Pol Arthur Latour	-	-	-	476	54	530	530
Mr. Frank J.G. Van Kempen	-	-	-	487	66	553	553
Datuk Sulaiman Salleh	-	-	-	35	1	36	36
Encik Kamaludin Ahmad	-	-	-	150	12	162	162
Encik Hj. Sallim Bin Abdul Kadir	-	-	-	224	36	260	260
Mr. Wong Pakshong Kat Jeong Colin Stewart	-	-	-	443	63	506	506
Mr. Lee Hin Sze	-	-	-	23	1	24	24
Datuk Mohd Najib Abdullah	86	17	103	120	21	141	244
Dato' Majid Mohamad	141	9	150	350	36	386	536
	936	131	1,067	4,309	550	4,859	5,926
	1,109	147	1,256	4,785	589	5,374	6,630

33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

	<---------- Company ---------->			<---------- Subsidiaries ---------->			Group
2017	Fees	Other Emoluments	Total	Fees	Other Emoluments	Total	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive director(s):							
Datuk Abdul Farid Alias	78	3	81	19	3	22	103
Dato' Amirul Feisal Wan Zahir	39	1	40	9	1	10	50
Puan Nora Abd. Manaf	-	-	-	116	8	124	124
Encik Kamaludin Ahmad	-	-	-	156	12	168	168
	117	4	121	300	24	324	445
Non-executive directors:							
Mr. Koh Heng Kong	54	17	71	257	36	293	364
Dato' Mohamed Rafique Merican	-	-	-	141	11	152	152
Dr Abdul Rahim Abd Rahman	-	-	-	29	2	31	31
Mr. Loh Lee Soon	74	25	99	257	31	288	387
Datuk R. Karunakaran	130	5	135	316	18	334	469
Mr. Bart K.A De Smet	116	4	120	-	-	-	120
Mr. Gary Lee Crist	166	24	190	-	-	-	190
Dato' Mohd Salleh Hj Harun	-	-	-	233	12	245	245
Dato' Johan Ariffin	39	2	41	184	20	204	245
Mr. Philippe Pol Arthur Latour	25	7	32	257	19	276	308
Y Bhg Tan Sri Dato' Megat Zaharuddin	39	2	41	-	-	-	41
Encik Zainal Abidin Jamal	-	-	-	145	22	167	167
Encik Kamaludin Ahmad	-	-	-	23	1	24	24
Mr. Frank J.G. Van Kempen	-	-	-	516	67	583	583
Dr. Ismail Mohd @ Abu Hassan	-	-	-	84	6	90	90
Datuk Sulaiman Salleh	-	-	-	35	2	37	37
Datuk Lim Hong Tat	-	-	-	187	25	212	212
Encik Hj. Sallim Bin Abdul Kadir	-	-	-	233	37	270	270
Dato' Majid Mohamad	10	-	10	38	3	41	51
Mr. Wong Pakshong Kat Jeong Colin Stewart	13	4	17	272	43	315	332
	666	90	756	3,207	355	3,562	4,318
	783	94	877	3,507	379	3,886	4,763

34. SHARIAH COMMITTEE'S REMUNERATION

	Group	
	2018 RM'000	2017 RM'000
Fees	308	212
Other emoluments	86	62
	394	274

The total remuneration of the Shariah Committee of the takaful subsidiary are as follows:

	2018			2017		
	Fees RM'000	Other Emoluments RM'000	Total RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000
Shariah committee:						
Dr. Ahcene Lahsasna	56	14	70	42	11	53
Dr Ismail Mohd @ Abu Hassan	18	6	24	38	11	49
Dr Mohammad Deen Mohd Napiah	18	6	24	39	12	51
Dr. Sarip Adul	48	14	62	39	12	51
Prof Dr Rusni Hassan	48	14	62	27	8	35
Prof Dr Abdul Rahim Abdul Rahman	48	14	62	27	8	35
Prof Dato' Dr Mohd Azmi Omar	36	8	44	-	-	-
Dato' Dr. Anhar Opir	36	10	46	-	-	-
	308	86	394	212	62	274

35. CHANGE IN EXPENSE LIABILITIES

	2018 RM'000	2017 RM'000
Group		
(Decrease)/Increase in UWF of general takaful fund (Note 21)	(10,326)	2,103
Increase/(Decrease) in UER of family takaful fund (Note 21)	21,433	(10,981)
Decrease in expense overrun of Life fund (Note 21)	-	(390)
	11,107	(9,268)

36. FEE AND COMMISSION EXPENSES

Group	2018 RM'000	2017 RM'000
Costs incurred for the acquisition of insurance/takaful contracts expensed in the current financial year	516,219	490,849
Others	35	111
	516,254	490,960

37. INCOME TAX EXPENSE

Major components of income tax expense

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

Income Statement

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax:				
Current financial year				
- Malaysia	383,568	234,965	1,401	928
- Foreign	1,280	750	-	-
Over provision of taxation in prior financial years	(33,634)	(6,980)	-	-
	351,214	228,735	1,401	928

37. INCOME TAX EXPENSE (CONTD.)

Major components of income tax expense (Contd.)

The major components of income tax expense for the year ended 31 December 2018 and 31 December 2017 are (Contd.):

Income Statement (Contd.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 16)	(265,474)	5,885	-	-
	85,740	234,620	1,401	928

Statement of Comprehensive Income:

Deferred income tax related to other comprehensive income:				
- Fair value changes on FVOCI/AFS investments (Note 16)	(5,545)	9,281	-	153

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 Group and the Company are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	800,957	973,174	(8,676)	1,099,780
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	188,721	491,143	(2,082)	263,947
Effects of tax in different jurisdiction	3,796	4,433	-	-

37. INCOME TAX EXPENSE (CONTD.)

Reconciliation between tax expense and accounting profit (Contd.)

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 Group and the Company are as follows (Contd.):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax exemption	(30)	(31)	-	-
Income not subject to tax	(111,049)	(322,175)	-	(264,775)
Expenses not deductible for tax purposes	105,223	81,240	3,483	1,756
Utilisation of previously unrecognised tax losses	(248)	(1,180)	-	-
Tax relief on actuarial surplus transferred to shareholder's fund	(64,851)	(13,176)	-	-
Effects of changes in foreign tax rate	-	(1,522)	-	-
Onshore tax in interest at 25%	129	115	-	-
Tax on non-recyclable income	-	2,630		
Over provision of taxation in prior financial years	(33,634)	(6,980)	-	-
Effect of zakat deduction	(786)	(733)	-	-
Effects of different tax rate on offshore business activities	(1,366)	-	-	-
Deferred tax not recognised in prior financial years	(102)	934	-	-
Others	(63)	(78)	-	-
Tax expense for the financial year	85,740	234,620	1,401	928

Tax borne by policyholders/participants

	2018 RM'000	2017 RM'000
Income tax:		
Current financial year		
- Malaysia	16,902	49,989
- Foreign	-	-
Over provision of taxation in prior financial years	(71)	(202)
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 16)	10,331	19,505
Relating to reduction in foreign income tax rate	-	-
	27,162	69,292

37. INCOME TAX EXPENSE (CONTD.)

Taxation of shareholders' and general funds

The income tax for shareholders' fund and general fund in relation to the Malaysia and Singaporean operations are calculated at the statutory tax rate of 24% (2017: 24%) and 17% (2017: 17%) of the estimated assessable profit respectively for the financial year.

Taxation of life insurance and family takaful business

The income tax for the life and family takaful funds are calculated based on the statutory rate of 8% (2017: 8%) of the estimated assessable investment income net of allowable deductions for the financial year for the Malaysian operations.

38. EARNINGS PER SHARE

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

	Group		Company	
	2018	2017	2018	2017
Profit attributable to ordinary equity holders (RM'000)	699,008	734,835	(10,077)	1,098,852
Number of ordinary share in issue ('000) (Note 17)	252,005	252,005	252,005	252,005
Basic and diluted earnings per share (sen)	2.77	2.92	(0.04)	4.36

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

39. DIVIDENDS

	2018 RM'000	2017 RM'000
Group and Company		
Recognised during the financial year:		
Final dividend for the year ended 31 December 2016:		
- 59.50 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	-	149,943

39. DIVIDENDS (CONTD.)

	2018 RM'000	2017 RM'000
Group and Company		
Interim dividend for the year ending 31 December 2017:		
- 39.60 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	-	99,794
Final dividend for the year ended 31 December 2017:		
- 99.30 sen per share, single-tier tax exempt dividend on 252,005,522 ordinary shares	250,241	-
	250,241	249,737

40. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments - The Group and the Company as a lessee

As at the reporting date, the insurance and takaful subsidiaries lease their office premises under lease agreements that are not cancellable within a year. The leases contain renewable options. Lease terms do not contain restrictions on the branch's activities concerning additional debts or further leasing.

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

Group	2018 RM'000	2017 RM'000
Not later than one year	13,741	8,146
Between one and five years	37,990	3,965
	51,731	12,111

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

40. OPERATING LEASE COMMITMENTS (CONTD.)

(b) The Group as a lessor

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

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

Group	2018 RM'000	2017 RM'000
Not later than one year	22,308	18,981
Between one and five years	20,103	9,462
	42,411	28,443

Rental income on investment properties recognised in the income statements during the financial year are disclosed in Note 27.

41. OTHER COMMITMENTS AND CONTINGENCIES

	2018 RM'000	2017 RM'000
Group		
Approved and contracted for:		
Property, plant and equipment	211	2,741
Investment property - IPUC	-	106,062
Intangible assets	5,598	11,321
Information Technology Services	8,801	-
	14,610	120,124
Approved and not contracted for:		
Investment property - IPUC	-	11,519
Intangible assets	112	4,546
	112	16,065

42. SHARE BASED COMPENSATION

ESS

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

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

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

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

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

(ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of MBB in a general meeting.

(iii) The ESS shall be valid for a period of seven (7) years from the effective date.

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

- consent of MBB's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and

- written consent of all participants of ESS who have yet to exercise their ESS option, either in part or in whole, and all participants whose RSU Agreement are still subsisting.

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

42. SHARE BASED COMPENSATION (CONTD.)

ESS (Contd.)

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

- **ESOS**

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

- **RSU**

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

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

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

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

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

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

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

42. SHARE BASED COMPENSATION (CONTD.)

ESS (Contd.)

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

- The new ordinary shares in MBB allotted upon any exercise of options under the scheme will upon allotment, rank *pari passu* in all aspects with the then existing ordinary shares in MBB, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of MBB relating to transfer, transmission and otherwise.

- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.

- In the implementation of ESS, MBB has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from MBB.

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

- The RSU granted will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants.

- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date.

- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU Grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a two (2) to three (3) years cliff vesting schedule.

42. SHARE BASED COMPENSATION (CONTD.)

ESGP and CESGP

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

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

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

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

Other principal features of the ESGP are as follows:

(i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and has not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.

(ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of the Bank in a general meeting.

(iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

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

43. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company have 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 Group or the Company and the corresponding party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel includes the Directors and Chief Executive Officers of the Group and of the Company.

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

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

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income/(expenses):				
Ultimate holding company:				
Gross premium/contribution income	35,083	32,385	-	-
Commission and fee expenses	(148,981)	(166,519)	-	-
Claims paid	(9,438)	(137,732)	-	-
Interest/profit income	17,064	16,237	307	199
Management fee	(270)	-	-	-
Rental income	3,518	3,092	-	-
Other expenses	(8,896)	(3,936)	(120)	(48)
Net hedging income	-	335	-	-
Interest expense	(5)	-	-	-

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(i) Significant transactions of the Group and of the Company with related parties during the financial year were as follows (Contd.):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income/(expenses) (Contd.):				
Fellow subsidiaries/associates within the MAHB Group:				
Insurance premium expense	-	-	(58)	-
Gross dividend income	-	-	-	1,099,999
Depreciation charged	-	-	(24)	-
Reimbursement of shared services	-	-	32,508	18,249
Rental expense	-	-	(526)	(102)
Other related companies within the MBB Group:				
Gross premium/contribution income	4,862	4,085	-	-
Commission and fee expenses	(103,242)	(368)	-	-
Dividend income	-	4,435	-	2,697
Other investment income	87	129	6	102
Management fee	(2,189)	-	-	-
Maybank shared services - Information Technology	(18,756)	(17,648)	-	-
Interest/profit income	16,967	26,013	2,452	903
Rental income (net)	4,440	4,271	-	-
Other expenses	(2,660)	(729)	-	-
Other income	3,755	-	-	-
Claims paid	(404)	(144)	-	-
Shareholders of MAHB:				
Dividend paid	(250,241)	(249,737)	(250,241)	(249,737)
Reimbursement of expenses	(687)	(2,171)	(687)	-
Other income/(expenses)	-	589	-	-
Profesisonal fee	-	183	-	-

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(i) Significant transactions of the Group and of the Company with related parties during the financial year were as follows (Contd.):

	Group		Company	
	2018	2017	2018	2017
Income/(expenses) (Contd.):	RM'000	RM'000	RM'000	RM'000
Companies related to a company with significant influence over MBB Group:				
Claims paid	(5,116)	(5,367)	-	-
Gross premium/contribution income	15,417	12,853	-	-
Interest on subordinated obligations	(9,198)	(14,560)	-	-

(ii) Included in the statements of financial position of the Group and of the Company are amounts due from/(to) related companies as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company:				
Bank balances	269,540	256,546	1,866	3,461
Fixed deposits	401,027	502,790	759	-
Structured deposits	50,474	-	-	-
Debt securities	-	9,999	-	-
Derivative liabilities, net	(13,825)	(23,239)	-	-
Income and profits due and accrued	808	869	1	-
Insurance/takaful receivables	417	207	-	-
Insurance/takaful payables	(2)	(2)	-	-
Claim liabilities	(57,683)	(58,445)	-	-
Outstanding premium/ contributions	8,774	8,806	-	-
Other receivables	3,436	4,362	-	-
Other payables	(31,293)	(10,824)	-	(272)

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(ii) Included in the statement of financial position of the Group and of the Company are amounts due from/(to) related companies as follows (Contd.):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fellow subsidiaries/associates within the MAHB Group:				
Other receivables	-	-	5,062	2,421
Other payables	-	-	(667)	-
Other related companies within the MBB Group:				
Bank balances	3,050	1,040	-	-
Fixed and call deposits	376,402	242,235	-	-
Islamic investment account	33,521	536,177	-	15,923
Income and profits due and accrued	21,468	1,991	-	45
Insurance/takaful receivables	40	311	-	-
Outstanding premiums/ contributions	153	42	-	-
Other receivables	6,437	3,253	-	-
Other payables	(2,252)	(72)	-	-
Reinsurance assets	(970)	-	-	-
Insurance/takaful payables	(7)	-	-	-
Claims liabilities	(50)	(49)	-	-
Companies related to a company with significant influence over MBB Group:				
Insurance/takaful receivables	-	8	-	-
Outstanding premiums/ contributions	485	-	-	-
Claims liabilities	(1,071)	(2,026)	-	-
Other receivables	-	-	-	-
Insurance/takaful payables	-	(922)	-	-
Commission payable	-	-	-	-
Subordinated obligations	(80,317)	(350,680)	-	-
Other payables	(956)	(94)	-	-
Others	-	-	-	-

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(iii) The remuneration of key management personnel compensation during the year was as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits				
- Fees	5,001	3,580	1,442	70
- Salaries, allowances and bonuses	6,524	3,353	3,308	2,144
- Contribution to EPF and pension scheme	904	498	484	340
- Share option granted under ESOS	891	687	850	687
- Other emoluments	-	223	-	11
	13,320	8,341	6,084	3,252

(iv) The movements in the number of ESOS and RSU granted and vested to key management personnel are as follows:

	Group		Company	
	2018 '000	2017 '000	2018 '000	2017 '000
At 1 January	2,989	4,255	1,291	2,242
Vested and exercisable	384	960	384	700
Exercised	(2,984)	-	(1,671)	(375)
Expired	(23)	(1,135)	(4)	-
Resignation of key management personnel	(385)	(1,526)	-	(1,526)
Appointment of key management personnel	19	435	-	250
At 31 December	-	2,989	-	1,291

(v) The number of shares awarded for ESGP Shares to key management personnel are as follows:

Award date	Group '000	Company '000
14.12.2018 - First Grant	312	104

44. INTEGRATED RISK MANAGEMENT FRAMEWORK

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

Six (6) key building blocks have been set which serve as the foundation for risk management and executed in accordance with the standards and risk appetite set by the Board.



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

Principles

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

- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Ensure Governance and Oversight Function
- Promote Strong Risk Culture
- Establish Adequate Risk Framework and Policies
- Establish Risk management Practices and Processes
- Ensure Sufficient Resources and System Infrastructures

44. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

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 risks that they are willing to accept in pursuit of their business objectives.

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

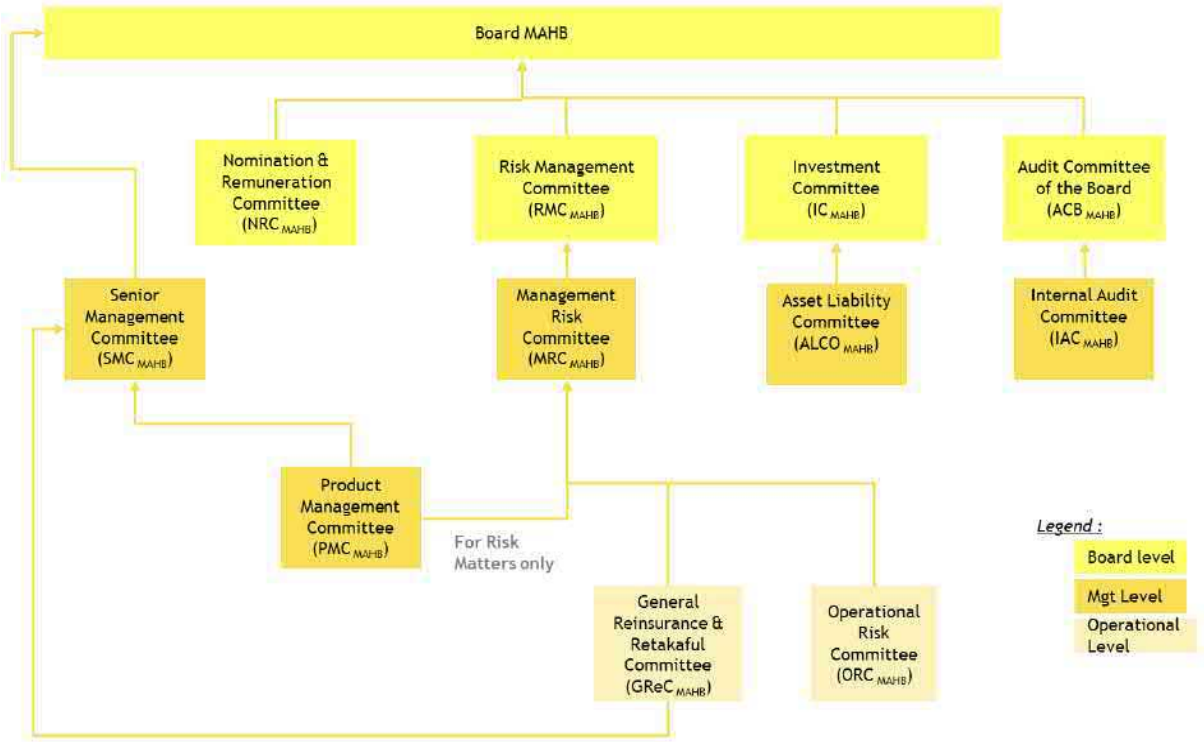
The Group continuously enhances its integrated risk management approach towards effective management of enterprise-wide risks. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of Committees, business lines, control and reporting functions.

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 Boards, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").

44. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (Contd.)



The risk governance structure in place aims to ensure appropriate 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-Board Committee, 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").

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

44. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

SMC
The responsibility of the SMC is to assure the Board that the components of the Group take appropriate decisions regarding risk and return and to make sure adequate controls exist and are fully operational.

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

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.

IAC
The IAC is responsible for the monitoring and follow-up of audit findings.

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

The following Operational Level Committees are established to support the Management level committees in the discharge of theirs duties.

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

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

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

44. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Culture (Contd.)

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.

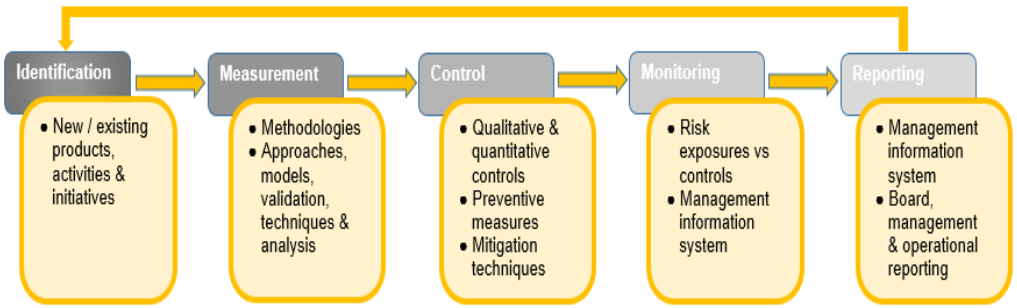
In line with the evolving market environment and dynamics within the Group and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk Management Practices and Processes

Risk management practices and processes are a fundamental component 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.

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



44. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Resource and System Insfrastructure

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, infrastructures 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 department 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 in all facets of risk taking activities.

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

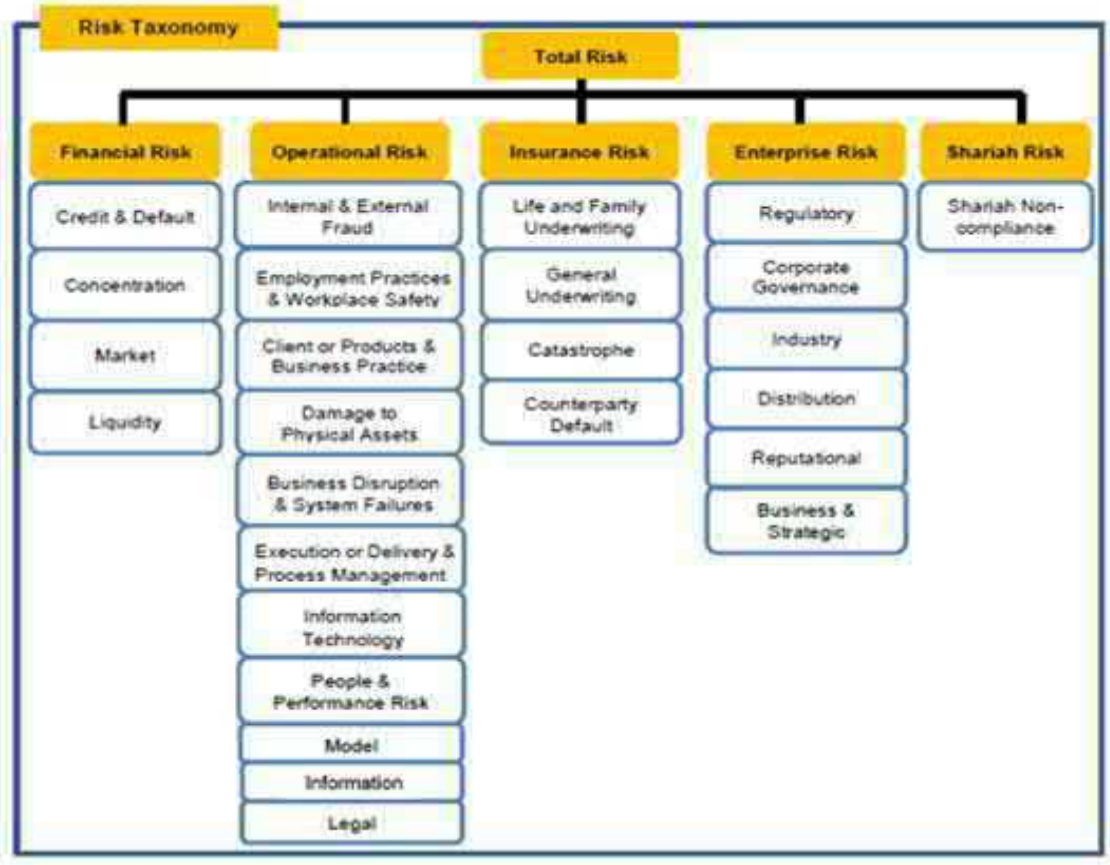
In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within the Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

Risk Taxonomy

The major risk categories are listed in the Risk Taxonomy which consists of Financial, Insurance, Operational, Enterprise Risk and Shariah Risk. Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.

44. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (Contd.)



45. INSURANCE/TAKAFUL RISK

Group

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

Reinsurance/retakaful 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/retakaful companies are the counterparty risk of reinsurers and retakaful operators failing to honor their obligations. The Group monitors the ability of all current and prospective reinsurers/retakaful operators to meet their obligations under exceptional but plausible adverse events on a monthly basis.

45. INSURANCE/TAKAFUL RISK (CONTD.)

Group (Contd.)

The Group 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 Group's guidelines and standards.

(i) Life and Family Underwriting Risk

The Life and Family Underwriting Risk reflects the adverse changes in the level, trend, or volatility of mortality, longevity, disability/morbidity, lapse/persistency and expense experience that is different from the expectation/best estimate assumptions, either in pricing or reserving, therefore affecting the profitability of life insurance/family takaful portfolio.

(ii) General Insurance and Takaful Underwriting Risk

General Insurance and Takaful ("GI/GT") Underwriting Risk reflects the adverse changes in the level, trend or volatility/fluctuation of claims settlement experience in terms of timing, frequency and severity of insured events that is different the expectation/best estimate assumptions, either from pricing or reserving, therefore affecting the profitability of GI/GT portfolio.

(iii) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the value of insurance/takaful liabilities due to over-exposures to extreme or exceptional events (e.g. pandemic outbreaks, flood and etc.), which can cause an accumulated loss or single large loss. Catastrophe risks could arise from either Life/Family business as well as General Insurance/General Takaful business.

(iv) Counterparty Default Risk

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

45. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance

Group

(i) The table below discloses the concentration of actuarial liabilities by type of contract.

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Malaysia						
Whole life	779,981	-	779,981	779,367	-	779,367
Endowment	3,535,560	-	3,535,560	3,390,775	-	3,390,775
Mortgage	866,311	(45,830)	820,481	836,819	(29,570)	807,249
Term assurance	288,405	-	288,405	311,976	-	311,976
Annuity	746,378	-	746,378	690,140	-	690,140
Others	122,240	-	122,240	137,914	-	137,914
	6,338,875	(45,830)	6,293,045	6,146,991	(29,570)	6,117,421
Singapore						
Whole life	372,756	(2,815)	369,941	93,648	(7,440)	86,208
Endowment	1,583,580	(218)	1,583,361	1,050,743	(9)	1,050,734
Mortgage	-	-	-	3	-	3
Term assurance	306	(64)	243	115	(33)	82
Others	613	(32)	581	288	(27)	261
	1,957,255	(3,129)	1,954,126	1,144,797	(7,509)	1,137,288
Total	8,296,130	(48,959)	8,247,171	7,291,788	(37,079)	7,254,709

45. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(ii) Key Assumptions

Material judgement is required in determining the insurance liabilities. Assumptions used in determining the insurance liabilities are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a periodic basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(a) Discount rate

The discount rate used for non-participating policies, guaranteed benefit liabilities of participating policies and the non-unit liability of investment-linked policies is the yield observed on Malaysian Government Securities ("MGS") and Singapore Gorvernment Securities of the appropriate duration for the Group's Malaysian and Singaporean operation respectively.

In the case of the total (guaranteed and non-guaranteed) benefits liabilities of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the participating fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes and long term strategic assets allocation. Participating business includes participating annuity. The discount rate for participating annuity business is the gross rate as these funds are tax exempt.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(ii) Key Assumptions (Contd.)

(b) Mortality and morbidity rates

Mortality and morbidity rates represents the expected claims experience of the Group.

The Group bases mortality and morbidity on local established industry tables which reflect historical experiences and reinsurance premium rates, adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experiences.

(c) Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business e.g. the expectation that policyholders will renew their policies. These rates are based on the insurer's historical experience of lapses and surrenders.

(d) Expenses

Expense assumptions represent the expected amount that will be incurred in servicing the policies over its expected life. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

(iii) Sensitivity Analyses

The analyses below are performed for reasonably possible movements in key assumptions affecting the determination of insurance liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(iii) Sensitivity Analyses (Contd.)

The correlation of assumptions will have a significant effect on the sensitivities but to demonstrate the impact due to changes in specific assumptions, these sensitivities are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analyses will also vary depending on the current economic assumptions.

	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
Life Insurance - Malaysia					
2018					
Discount rate *	-1%	474,235	470,726	(200,706)	(190,377)
Mortality and morbidity rates	+/- 10% (adverse)	129,746	119,092	(95,514)	(72,590)
Lapse and surrender rates	+/- 10% (adverse)	22,444	22,703	(875)	(665)
Expenses	+10%	31,774	31,774	(24,799)	(18,847)
2017					
Discount rate *	-1%	512,903	510,755	(195,041)	(172,777)
Mortality and morbidity rates	+/- 10% (adverse)	131,600	125,718	(98,898)	(75,162)
Lapse and surrender rates	+/- 10% (adverse)	25,354	25,462	(641)	(487)
Expenses	+10%	35,701	35,701	(27,093)	(20,591)

* excludes impact on fixed income assets.
** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(A) Life Insurance (Contd.)

Group

(iii) Sensitivity Analyses (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
Life Insurance - Singapore					
2018					
Discount rate *	-1%	9,554	8,580	(8,461)	(7,023)
Mortality and morbidity rates	+/- 10% (adverse)	5,302	4,249	(4,190)	(3,478)
Lapse and surrender rates	+/- 10% (adverse)	11,104	10,931	(10,779)	(8,946)
Expenses	+10%	8,474	8,362	(8,246)	(6,843)
2017					
Discount rate *	-1%	218,476	216,499	(216,499)	(216,499)
Mortality and morbidity rates	+/- 10% (adverse)	3,505	2,743	(2,743)	(2,743)
Lapse and surrender rates	+/- 10% (adverse)	12,194	11,936	(11,936)	(11,936)
Expenses	+10%	7,471	7,446	(7,446)	(7,446)

* excludes impact on fixed income assets.
** the impact on net liabilities results in a correponding, but opposite sign impact on profit before tax and equity.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund

Group

(i) The table below shows the concentration of actuarial liabilities by type of contract.

	2018			2017		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,718,340	-	1,718,340	1,648,101	-	1,648,101
Mortgage	3,593,071	(63,030)	3,530,041	3,529,376	(69,640)	3,459,736
Term assurance	34,363	-	34,363	23,588	-	23,588
Annuity	714,791	-	714,791	733,998	-	733,998
Others	674,153	-	674,153	594,816	-	594,816
Total	6,734,718	(63,030)	6,671,688	6,529,879	(69,640)	6,460,239

All of the Family takaful business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Group.

(ii) Key Assumptions

Material judgement is required in determining the Participants' Risk Fund ("PRF") liabilities. The PRF refers to the fund in which the portion of contributions paid by the participants is allocated and pooled for the purpose of meeting claims. Assumptions used in determining the PRF liabilities are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (Contd.)

Group

(ii) Key Assumptions (Contd.)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(a) Discount rate
The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration.

(b) Mortality and morbidity rates
Mortality and morbidity rates represents the expected claims experience of the takaful operator. The takaful operator determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the takaful operator's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

(c) Lapse and surrender rates
Lapse and surrender rates are used to determine the expected persistency of the business ie. the expectation that participants will renew their certificates etc. These rates are based on the takaful operator's historical experience of lapses and surrenders.

(d) Expenses
Expense assumptions represent the expected amount that will be incurred in servicing the certificates over their expected lives. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (Contd.)

Group

(iii) Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of takaful liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

The correlation of assumptions will have a significant effect on the sensitivity analyses but to demonstrate the impact due to changes in specific assumptions, the sensitivity analyses are performed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analyses will also vary depending to the current economic assumptions.

	% 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
2018					
Discount rate *	-1%	324,743	318,310	(58,578)	(58,578)
Mortality and morbidity rates	+/- 10% (adverse)	299,232	252,296	(46,493)	(46,493)
Lapse and surrender rates	+/- 10% (adverse)	16,312	17,569	(3,706)	(3,706)
Expenses	+10%	11,681	11,681	(2,485)	(2,485)

* excludes impact on profit rate assets.
** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(B) Family Takaful Fund (Contd.)

Group

(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
2017					
Discount rate *	-1%	310,266	303,619	(36,594)	(36,594)
Mortality and morbidity rates	+/- 10% (adverse)	303,996	269,876	(45,730)	(45,730)
Lapse and surrender rates	+/- 10% (adverse)	12,098	13,520	(3,145)	(3,145)
Expenses	+10%	14,896	14,896	(4,104)	(4,104)

* excludes impact on profit rate assets.
** the impact on net liabilities results in a corresponding, but opposite sign impact on profit before tax and equity.

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key assumption being analysed. For the purposes of the sensitivity analysis, management has only examined the impact arising from adverse changes to these key assumptions as the impact of such adverse changes would be more significant to management in their decision-making process and strategic positioning.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance

Group

(i) The table below discloses the premium written by type of contract.

	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Malaysia						
Motor	223,638	(7,447)	216,191	193,545	(7,535)	186,010
Fire	217,961	(112,062)	105,899	156,963	(57,136)	99,827
Marine, Aviation, Cargo and Transit	544,032	(529,072)	14,960	516,225	(499,540)	16,685
Miscellaneous	201,808	(85,038)	116,770	193,810	(79,502)	114,308
	1,187,439	(733,619)	453,820	1,060,543	(643,713)	416,830
Singapore and Brunei						
Motor	27,735	(1,694)	26,041	31,872	(1,643)	30,229
Fire	43,181	(7,507)	35,675	55,220	(28,378)	26,842
Marine, Aviation, Cargo and Transit	3,565	(1,466)	2,099	2,948	(504)	2,444
Miscellaneous	100,682	(32,615)	68,067	85,661	(25,692)	59,969
	175,163	(43,282)	131,882	175,701	(56,217)	119,484
Total	1,362,602	(776,901)	585,702	1,236,244	(699,930)	536,314

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(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.

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	**2018**	**2017**
Malaysia - Unallocated loss adjustment expense to paid loss ratio	5%	5%

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

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

General Insurance - Malaysia and Brunei businesses	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
2018					
Net Incurred Claims Ratio	+ 5%	57,420	21,274	(21,274)	(16,168)
	- 5%	(57,420)	(21,274)	21,274	16,168
2017					
Net Incurred Claims Ratio	+ 5%	56,007	20,710	(20,710)	(15,740)
	- 5%	(56,007)	(20,710)	20,710	15,740

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iii) Sensitivity analysis (Contd.)

General Insurance - Singapore business	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
2018					
Net Incurred Claims Ratio	+ 5%	9,154	5,851	(5,770)	(4,789)
	- 5%	(9,154)	(5,851)	5,770	4,789
2017					
Net Incurred Claims Ratio	+ 5%	8,645	6,021	(6,021)	(4,996)
	- 5%	(8,645)	(6,021)	6,021	4,996

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

(iv) Claims development table

The following tables show estimated incurred claims for the insurance subsidiary, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the insurance subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The insurance subsidiary 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.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

	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 gross cumulative claims:									
At the end of accident year		640,233	687,574	3,368,421	472,373	500,223	650,926	623,423	
1 year later		670,334	507,493	3,324,465	644,826	427,229	653,549		
2 years later		655,020	600,092	3,870,607	677,394	408,481			
3 years later		681,399	552,955	3,318,450	655,504				
4 years later		654,031	559,641	3,297,763					
5 years later		656,948	555,274						
6 years later		648,754							
Estimate of gross cumulative claims (A)		648,754	555,274	3,297,763	655,504	408,481	653,549	623,423	
Estimate of gross cumulative payments to date:									
At the end of accident year		229,494	167,692	1,120,319	117,553	115,349	228,448	114,737	
1 year later		359,755	307,101	1,383,292	382,244	249,580	417,498		
2 years later		472,739	408,804	1,774,084	441,823	315,396			
3 years later		531,619	483,555	1,923,898	482,763				
4 years later		554,919	494,548	2,003,707					
5 years later		598,787	509,307						
6 years later		600,238							
Gross cumulative payments (B)		600,238	509,307	2,003,707	482,763	315,396	417,498	114,737	

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities (Contd.)

	Before	As at 31 December							
	2012	2012	2013	2014	2015	2016	2017	2018	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
Gross outstanding claim liabilities for Singapore									126,218
Unallocated loss adjustment expenses									5,850
Best estimate of gross claim liabilities									2,693,679
PRAD									196,986
Gross insurance claim liabilities as at 31 December 2018									2,890,665

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(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	206,014	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	227,687			
3 years later		264,442	273,160	238,975	244,196				
4 years later		261,799	270,774	240,031					
5 years later		260,463	269,262						
6 years later		256,169							
Estimate of net cumulative claims (A)		256,169	269,262	240,031	244,196	227,687	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	

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance (Contd.)

	Before	As at 31 December							
	2012	2012	2013	2014	2015	2016	2017	2018	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
Net outstanding claim liabilities for Singapore									104,188
Unallocated loss adjustment expenses									5,850
Best estimate of net claim liabilities									378,130
PRAD									41,830
Net insurance claim liabilities as at 31 December 2018									419,960

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

	Before	As at 31 December						
	2011	2011	2012	2013	2014	2015	2016	2017	Total
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Estimate of gross cumulative claims:									
At the end of accident year		387,941	640,233	687,574	3,368,421	472,373	500,223	650,926	
1 year later		533,071	670,334	507,493	3,324,465	644,826	427,229		
2 years later		386,610	655,020	600,092	3,870,607	677,394			
3 years later		396,983	681,399	552,955	3,318,451				
4 years later		398,866	654,031	559,641					
5 years later		371,960	656,948						
6 years later		369,778							
Estimate of gross cumulative claims (A)		369,778	656,948	559,641	3,318,451	677,394	427,229	650,926	
Estimate of gross cumulative payments to date:									
At the end of accident year		121,264	229,494	167,692	1,120,319	117,553	115,349	228,447	
1 year later		247,258	359,755	307,101	1,383,292	382,244	249,580		
2 years later		283,406	472,739	408,804	1,774,084	441,823			
3 years later		306,870	531,619	483,555	1,923,898				
4 years later		350,548	554,919	494,548					
5 years later		350,223	598,787						
6 years later		351,651							
Gross cumulative payments (B)		351,651	598,787	494,548	1,923,898	441,823	249,580	228,447	

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities (Contd.)

	Before	As at 31 December							
	2011	2011	2012	2013	2014	2015	2016	2017	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross outstanding claim liabilities (A) - (B)	94,514	18,127	58,162	65,093	1,394,553	235,570	177,649	422,479	2,466,147
Gross outstanding claim liabilities for Brunei and Treaty Inward									61,186
Gross outstanding claim liabilities for Singapore									165,664
Unallocated loss adjustment expenses									4,795
Best estimate of gross claim liabilities									2,697,792
PRAD									178,308
Gross insurance claim liabilities as at 31 December 2017									2,876,100

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

	Before	As at 31 December						
	2011	2011	2012	2013	2014	2015	2016	2017	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		237,994	271,700	283,985	263,503	255,864	248,567	206,015	
1 year later		239,453	258,324	265,906	251,303	249,573	227,268		
2 years later		234,554	260,331	274,429	246,969	244,085			
3 years later		238,818	264,442	273,160	238,975				
4 years later		239,469	261,799	270,775					
5 years later		238,372	260,463						
6 years later		236,211							
Estimate of net cumulative claims (A)		236,211	260,463	270,775	238,975	244,085	227,268	206,015	
Estimate of net cumulative payments to date:									
At the end of accident year		104,838	113,841	131,720	113,052	105,240	109,745	95,787	
1 year later		197,855	211,743	224,674	195,128	197,502	183,464		
2 years later		220,615	239,069	244,820	215,245	220,400			
3 years later		229,267	247,803	255,638	225,251				
4 years later		231,826	251,671	259,964					
5 years later		232,884	252,483						
6 years later		233,369							
Net cumulative payments (B)		233,369	252,483	259,964	225,251	220,400	183,464	95,787	

45. INSURANCE/TAKAFUL RISK (CONTD.)

(C) General Insurance (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance (Contd.)

	Before	As at 31 December							
	2011	2011	2012	2013	2014	2015	2016	2017	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net outstanding claim liabilities (A) - (B)	4,949	2,842	7,980	10,811	13,724	23,685	43,804	110,228	218,023
Net outstanding claim liabilities for Brunei and Treaty Inward									60,175
Net outstanding claim liabilities for Singapore									120,108
Unallocated loss adjustment expenses									4,795
Best estimate of net claim liabilities									403,101
PRAD									40,149
Net insurance claim liabilities as at 31 December 2017									443,250

Prior to 2009, gross valuation was only performed at the middle of each year. Thus, the estimated cumulative claims for year 2008 and prior were based on gross premiums earned in the first half of the year only (i.e. up to 30 June only).

Subsequent to 2009, gross valuation are performed as at the end of the year. Thus, the estimated cumulative claims from year 2009 to 2011 represents the estimate of expected claims to be paid on gross premiums earned up to 31 December.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund

Group

(i) The table below discloses contribution written by type of contract.

	2018			2017		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	912,271	(6,328)	905,943	842,203	(5,157)	837,046
Fire	195,868	(56,503)	139,365	164,942	(52,505)	112,437
Marine Cargo, Aviation Cargo and Transit	13,866	(11,570)	2,296	15,688	(12,646)	3,042
Miscellaneous	187,370	(45,994)	141,376	195,402	(71,226)	124,176
	1,309,375	(120,395)	1,188,980	1,218,235	(141,534)	1,076,701

(ii) Key Assumptions and methods

The estimation of the claim liabilities of General Takaful Fund is based on BNM/RH/GL004-21 *Guidelines on Valuation Basis for Liabilities of General Takaful Business* as issued by BNM. It requires all General Takaful operators 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.

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(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 one-off occurrences, changes in external or market factors such as 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 explicitly allowed for in the reserving process by adding in a PRAD for the best estimate of the cost of future claim payments.

The methodology used in deriving the provision for expenses is consistent with prior year. Loadings are applied directly to the central estimate of claim liabilities and the central estimate of URR and UCR to derive the expense liabilities.

(iii) Sensitivity analyses

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

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful fund (Contd.)

Group

(iii) Sensitivity analyses (Contd.)

Illustrative results of sensitivity analyses for the general takaful fund's claims 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. Therefore, 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 the participants' fund.

	% change in Key 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
2018					
Incurred Claims Ratio	+ 5%	62,477	57,062	(57,062)	(43,367)
	- 5%	(62,477)	(57,062)	57,062	43,367
2017					
Incurred Claims Ratio	+ 5%	61,272	55,116	(55,116)	(41,888)
	- 5%	(61,272)	(55,116)	55,116	41,888

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table

The following tables show the takaful subsidiary's estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the takaful subsidiary believes the estimate of total claims outstanding as at the financial year end are adequate. The takaful subsidiary 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

Analysis of claims development - Gross Takaful Certificate Liabilities

	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 cumulative claims:									
At the end of accident year		479,285	565,662	589,933	660,739	783,911	724,824	725,826	
1 year later		466,666	554,495	617,750	639,081	816,040	723,792		
2 years later		458,241	564,434	608,081	608,828	817,518			
3 years later		463,180	569,810	601,915	616,600				
4 years later		459,482	575,192	592,831					
5 years later		462,151	545,569						
6 years later		455,204							
Estimate of gross cumulative claims to date (A)		455,204	545,569	592,831	616,600	817,518	723,792	725,826	

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Takaful Certificate Liabilities (Contd.)

	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 cumulative payments to date:									
At the end of accident year		187,973	238,771	231,130	264,533	310,865	345,399	343,275	
1 year later		366,008	405,337	470,575	461,390	578,438	569,587		
2 years later		413,088	463,144	532,800	544,056	657,527			
3 years later		432,662	488,313	557,757	585,241				
4 years later		440,634	500,352	572,230					
5 years later		446,638	522,387						
6 years later		448,828							
Gross cumulative claims paid to date (B)		448,828	522,387	572,230	585,241	657,527	569,587	343,275	
Best estimate of gross claim liabilities (A) - (B)	14,796	6,376	23,182	20,601	31,359	159,991	154,205	382,551	793,061
PRAD									76,193
Gross takaful claim liabilities as at 31 December 2018									869,254

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Retakaful

	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 cumulative claims:									
At the end of accident year		456,465	506,657	532,858	630,670	708,666	699,503	699,161	
1 year later		447,504	477,414	506,414	610,264	664,057	699,550		
2 years later		441,755	486,131	496,700	586,008	664,219			
3 years later		446,237	488,639	490,130	589,008				
4 years later		442,678	492,758	483,011					
5 years later		444,549	483,230						
6 years later		438,822							
Estimate of net cumulative claims to date (A)		438,822	483,230	483,011	589,008	664,219	699,550	699,161	
Estimate of cumulative payments to date:									
At the end of accident year		186,608	235,297	227,238	259,797	307,415	340,963	340,369	
1 year later		356,576	383,436	386,400	449,210	521,478	559,277		
2 years later		399,389	433,014	435,687	525,894	599,827			
3 years later		417,899	456,352	458,229	562,333				
4 years later		425,427	466,121	471,323					
5 years later		430,113	472,146						
6 years later		432,413							
Net cumulative claims paid to date (B)		432,413	472,146	471,323	562,333	599,827	559,277	340,369	
Best estimate of net claim liabilities (A) - (B)	6,383	6,409	11,084	11,688	26,675	64,392	140,273	358,792	625,696
PRAD									55,551
Net claim liabilities as at 31 December 2018									681,247

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Takaful Certificate Liabilities

	Before	As at 31 December							
	2011	2011	2012	2013	2014	2015	2016	2017	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims:									
At the end of accident year		437,396	479,285	565,662	589,933	660,739	783,911	724,824	
1 year later		436,220	466,666	554,496	617,750	639,081	816,040		
2 years later		422,091	458,241	564,434	608,081	608,828			
3 years later		435,791	463,180	569,810	601,915				
4 years later		435,672	459,482	575,192					
5 years later		435,987	462,151						
6 years later		436,576							
Estimate of gross cumulative claims to date (A)		436,576	462,151	575,192	601,915	608,828	816,040	724,824	
Estimate of cumulative payments to date:									
At the end of accident year		131,482	187,973	238,771	231,130	264,533	310,865	345,399	
1 year later		269,769	366,008	405,337	470,575	461,390	578,439		
2 years later		376,785	413,088	463,144	532,800	544,057			
3 years later		391,811	432,662	488,313	557,757				
4 years later		396,008	440,634	500,352					
5 years later		400,990	446,638						
6 years later		423,515							
Gross cumulative claims paid to date (B)		423,515	446,638	500,352	557,757	544,057	578,439	345,399	
Best estimate of gross claim liabilities (A) - (B)	9,706	13,061	15,513	74,840	44,158	64,771	237,601	379,425	839,075
PRAD									93,577
Gross claim liabilities as at 31 December 2017									932,652

45. INSURANCE/TAKAFUL RISK (CONTD.)

(D) General Takaful Fund (Contd.)

Group

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Retakaful

	Before	As at 31 December							
	2011	2011	2012	2013	2014	2015	2016	2017	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims:									
At the end of accident year		325,123	456,465	506,657	532,858	630,670	708,666	699,503	
1 year later		336,639	447,504	477,414	506,414	610,264	664,057		
2 years later		332,456	441,755	486,131	496,700	586,008			
3 years later		338,513	446,237	488,639	490,130				
4 years later		340,270	442,678	492,758					
5 years later		336,354	444,549						
6 years later		337,196							
Estimate of net cumulative claims to date (A)		337,196	444,549	492,758	490,130	586,008	664,057	699,503	
Estimate of cumulative payments to date:									
At the end of accident year		130,642	186,608	235,297	227,238	259,797	307,415	340,963	
1 year later		266,182	356,576	383,436	386,400	449,210	521,479		
2 years later		307,058	399,389	433,014	435,687	525,894			
3 years later		321,595	417,899	456,352	458,229				
4 years later		325,611	425,427	466,121					
5 years later		327,836	430,113						
6 years later		330,381							
Net cumulative claims paid to date (B)		330,381	430,113	466,121	458,229	525,894	521,479	340,963	
Best estimate of net claim liabilities (A) - (B)	5,856	6,815	14,436	26,637	31,901	60,114	142,578	358,540	646,877
PRAD									68,679
Net claim liabilities as at 31 December 2017									715,556

46. 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 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 Group's exposure to credit risk arises mainly from fixed income investment activities.

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

(a) The Risk Management and Investment Management Department actively aim to prevent undue concentration by ensuring its credit portfolio is diversified and marketable credit portfolio;

(b) The asset management research team adopts a prudent position in the selection of fixed income investments;

(c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and

(d) The Risk Management Department uses Key Risk Indicators (“KRI”) to alert the management to impending problems in a timely manner.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statements of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreement. MFRS 9 *Financial Instruments* removed the bifurcation of embedded derivatives concept for financial assets and hybrid financial assets would be classified and measured in their entirety at FVTPL for the purposes of financial risk exposures and management.

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure (Contd.)

2018	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
Financial investments at				
FVTPL	8,460,360	5,983,272	1,646,737	16,090,369
FVOCI	1,639,179	4,693,909	1,705,866	8,038,954
AC	1,059,905	760,067	536,386	2,356,358
Financing receivables	212,911	-	49,454	262,365
Reinsurance/retakaful assets	2,520,300	261,809	-	2,782,109
Insurance/takaful receivables	391,300	138,826	-	530,126
Other receivables	348,745	185,700	343,803	878,248
Derivative assets	4,124	-	-	4,124
Cash and bank balances	250,151	165,646	71,347	487,144
	14,886,975	12,189,229	4,353,594	31,429,797

2017	Total Insurance Funds RM'000	Total Takaful Funds RM'000	Total Shareholders' Funds RM'000	Total RM'000
Financial investments at				
FVTPL	8,968,345	5,236,556	-	14,204,901
AFS	1,720,630	5,378,762	3,529,435	10,628,827
LAR	839,456	785,228	694,260	2,318,944
Financing receivables	210,258	-	47,520	257,778
Reinsurance/retakaful assets	2,741,120	341,253	-	3,082,373
Insurance/takaful receivables	436,008	179,292	-	615,300
Other receivables	106,782	276,080	477,296	860,158
Derivative assets	12,733	-	-	12,733
Cash and bank balances	306,410	79,378	26,044	411,832
	15,341,742	12,276,549	4,774,555	32,392,846

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit quality of financial assets

The four (4) risks categories as set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Group's financial investments. 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(x)(b).

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.

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit exposure by rating

The implementation of MFRS 9 *Financial Instruments* has resulted in a change in the presentation and disclosure of credit risk. The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the risk categories upon implementation of MFRS 9:

Group

	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							
Malaysian government papers	562,540	-	-	-	-	-	562,540
Singapore government securities	45,184	-	-	-	-	-	45,184
Unit and property trust funds	-	-	-	-	-	43,687	43,687
Debt securities, structured products, NCDs & NICDs	-	3,611,656	5,873,393	424,280	-	4,875,690	14,785,019

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group

	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 (Contd.)							
(ii) Held-for-trading (HFT)							
Malaysian government papers	37,307	-	-	-	-	-	37,307
Unit and property trust funds	-	-	-	-	-	151,532	151,532
Debt securities, structured products, NCDs & NICDs	-	63,023	206,820	37,973	-	36,085	343,901
Fixed and call deposits - Licensed financial institutions	-	117,199	4,000	-	-	-	121,199
Financial investments at FVOCI							
Malaysian government papers	643,762	-	-	-	-	-	643,762
Singapore government securities	612,149	-	-	-	-	-	612,149
Debt securities, structured products, NCDs & NICDs	117,991	2,049,086	2,775,859	69,945	-	1,770,162	6,783,043

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group

	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 AC							
Fixed and call deposits	-	1,852,645	503,713	-	-	-	2,356,358
Financing receivables	-	2,084	-	-	-	260,281	262,365
Reinsurance/retakaful assets	-	342,812	27,634	659,691	20	1,751,952	2,782,109
Insurance/takaful receivables	-	4,448	-	1,381	727	523,570	530,126
Other receivables	17,934	139,054	126,066	4,680	-	590,514	878,248
Derivative assets	-	4,124	-	-	-	-	4,124
Cash and bank balances	-	480,714	3,720	178	-	2,534	487,146
	2,036,867	8,666,845	9,521,205	1,198,128	747	10,006,007	31,429,798

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

The implementation of MFRS 9 *Financial Instruments* has resulted a changed in the presentation and disclosure in credit risk. The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the risk catergories upon implementation of MFRS 9:

Group

	Neither past-due nor impaired						
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2017							
Financial investments at FVTPL							
(i) Designated upon initial recognition							
Malaysian government papers	-	-	381,084	-	-	-	381,084
Singapore government securities	364,461	-	-	-	-	-	364,461
Debt securities, structured products, NCDs and NICDs	8,582,242	-	3,498,133	-	-	-	12,080,375
(ii) Held- for- trading (HFT)							
Equity securities	-	-	-	969,222	-	-	969,222
Malaysian government papers	-	-	-	92,762	-	-	92,762
Debt securities and structured products	-	-	-	263,458	-	-	263,458
Unit and property trust funds	-	-	-	53,539	-	-	53,539

* Based on ratings assigned by external rating agencies including RAM and MARC.

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Group

	Neither past-due nor impaired						
	*A to AAA RM'000	*B to BBB RM'000	*Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2017							
AFS financial investments							
Equity securities	-	-	-	-	-	2,215,523	2,215,523
Malaysian government papers	-	-	737,057	-	-	-	737,057
Singapore government securities	37,695	-	-	-	-	-	37,695
Debt securities, structured products and NICDs	5,581,049	-	1,964,079	-	-	-	7,545,128
Unit and property trust funds	-	-	-	-	-	118,657	118,657
LAR							
Fixed and call deposits	2,223,075	-	-	95,869	-	-	2,318,944
Financing receivables	-	-	257,045	-	733	-	257,778
Reinsurance/retakaful assets	1,721,332	57,853	953,624	-	-	349,564	3,082,373
Insurance/takaful receivables^^	1,067	-	567,952	-	72,568	-	641,587
Other receivables	445,980	1	314,766	6,198	732	320,498	1,088,175
Derivative assets	12,733	-	-	-	-	-	12,733
Cash and bank balances	407,576	-	1,458	2,798	-	-	411,832
	19,377,210	57,854	8,675,198	1,483,846	74,033	3,004,242	32,672,383

* Based on ratings assigned by external rating agencies including RAM and MARC.

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

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

Company

	Very Low RM'000	Total RM'000
2018		
Financial investments at AC		
Fixed and call deposits:	11,807	11,807
Financing receivables	2,083	2,083
Other receivables	4,790	4,790
Cash and bank balances	1,864	1,864
	20,544	**20,544**

	Neither past-due nor impaired		
	*A to AAA RM'000	*Not Rated RM'000	Total RM'000
2017			
LAR			
Fixed and call deposits	72,148	-	72,148
Financing receivables	-	1,113	1,113
Other receivables	351	2,581	2,932
Cash and bank balances	3,460	-	3,460
	75,959	3,694	79,653

* Based on ratings assigned by external rating agencies including RAM and MARC.

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Investment assets - Reconciliation of allowance account

Significant increase in credit risk

The Group and the Company apply General Approach or 'three-stage'" approach which is based on the change in credit quality of financial instruments since initial recognition to assess the Impairment for invesment 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 Group and the Company have considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the MBB Group's ECL model for debt securities portfolio.

Expected credit loss

The Group and the Company assess the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to the Group and the 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 Group and the Company are required to estimate the probability of default occurring in the 12 month after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance is measured for the Group and 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.

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Investment assets - Reconciliation of allowance account (Contd.)

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

Group 2018	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI				
Sovereign	2,894,069	141,011	-	3,035,080
Very low	1,921,576	127,509	-	2,049,085
Low	2,740,940	34,920	-	2,775,860
Medium	69,945	-	-	69,945
Unrated	108,984	-	-	108,984
Total carrying amount	7,735,514	303,440	-	8,038,954
Total ECL	(3,892)	(277)	(200)	(4,369)

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

Group 2018	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI				
Balance at 1 January	3,255	613	200	4,068
Effect of adopting MFRS 9	73	-	-	73
Transfer to 12-month ECL	-	-	-	-
Net adjustment of loss allowance	(53)	(43)	-	(96)
New financial assets originated or purchased	1,605	36	-	1,641
Financial assets that have been derecognised	(988)	(329)	-	(1,317)
Balance as at 31 December	3,892	277	200	4,369

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Other financial assets - Reconciliation of allowance account

Prior to 1 January 2018, the Group and the Company assess the impairment loss of its receivables where impairment loss is deemed to be incurred if there is objective evidence that loss event(s) has occurred which has an impact on the estimated future cash flows of the receivables that can be reliably measured and the carrying amount exceed the recoverable amount. Losses expected as a result of future events, no matter how likely, are not permitted to be recognised. Assessment of impairment falls under the concept of individual and collective assessment. The method of measuring for impairment individually or collectively on receivables will depend on the significance of the receivables amount.

Upon implementation of MFRS 9, the Group and the Company apply Simplified Approach where the ECL is measured at initial recognition of the receivables using a provision matrix based on historical data or also known as roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance premium type's arrangement respectively with forward looking element being applied to it.

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

Group 2018	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
Lifetime ECL					
At 1 January	11,577	1,924	16,728	10,451	40,680
Effect of adopting MFRS 9	19	4	4,507	76	4,606
Net adjustment of loss allowance	-	714	(7,272)	868	(5,690)
Balance as at 31 December	11,596	2,642	13,963	11,395	39,596

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Other financial assets - Reconciliation of allowance account (Contd.)

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

2017	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
Individual allowance					
At 1 January 2017	5,609	529	15,122	9,269	30,529
Reclassification	-	-	-	(4)	(4)
(Reversal of impairment losses)/impairment losses during the year	5,968	1,395	(3,164)	1,186	5,385
Amount written off	-	-	(3)	-	(3)
Exchange differences	-	-	(10)	-	(10)
At 31 December 2017	11,577	1,924	11,945	10,451	35,897
Collective allowance					
At 1 January 2017	-	-	5,295	-	5,295
Reversal of impairment losses during the year	-	-	(492)	-	(492)
Exchange differences	-	-	(20)	-	(20)
At 31 December 2017	-	-	4,783	-	4,783

Company - Reconciliation of allowance account

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

2018	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
Lifetime ECL					
At 1 January	1	-	-	7,161	7,162
Net adjustment of loss allowance	3	-	-	-	3
Balance as at 31 December	4	-	-	7,161	7,165

46. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Company - Reconciliation of allowance account (Contd.)

Movements in allowances for impairment losses for financial assets are as follows (Contd.):

	Financing receivables RM'000	Reinsurance assets RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
2017					
Individual allowance					
At 1 January/ 31 December 2017	1	-	-	7,161	7,162

Financial Effects of Collateral Held

The main types of collateral held as security by the Group to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash value of policies
Corporate loans	Charges over properties, lands being financed and bank guarantees
Secured staff/non-staff loans	Charges over residential properties and vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 96% as at 31 December 2017 (2017: 95%). The financing receivables amounted to RM262.4 million as at 31 December 2018 (2017: RM257.8 million) are collateralised.

The remaining balance of financing receivables are not collateralised.

Company

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables of the Company is 100% as at 31 December 2018 (2017: 100%). The financing receivables amounted to RM2 million as at 31 December 2018 (2017: RM1.1 million) are collateralised.

46. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk

Liquidity risk is the risk of an adverse impact to the Group'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 Group measures and manages liquidity risk following the philosophy and principles below:

(a) The Risk Management and Investment Management Department actively monitor the cashflows associated and derived from assets and liabilities of the Group through the ALCO platform; and

(b) The Investment Management Department ensures that reasonable liquidity is maintained in the assets at all times.

(c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance contracts/takaful certificates liabilities and reinsurance/retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

Premium/contribution liabilities, the reinsurers' share of premium/contribution liabilities and expense liabilities relating to general takaful have been excluded form the analysis as there are no contractual obligations to make payments on those liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

46. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group

2018	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
Financial investments:						
FVTPL	18,554,242	1,536,368	5,402,975	19,760,931	2,532,754	29,233,028
FVOCI	8,038,954	1,080,529	3,372,079	7,755,297	-	12,207,905
AC	2,356,326	2,477,525	-	-	-	2,477,525
Financing receivables	262,366	220,921	23,366	33,701	-	277,988
Reinsurance/retakaful assets*	2,782,111	2,009,426	711,019	122,854	-	2,843,299
Insurance/takaful receivables	530,129	530,129	-	-	-	530,129
Other receivables	878,351	878,169	-	-	180	878,349
Derivative assets	4,125	4,125	-	-	-	4,125
Cash and bank balances	487,146	395,147	-	-	91,999	487,146
Total assets	33,893,750	9,132,339	9,509,439	27,672,783	2,624,933	48,939,494
Insurance/takaful contract liabilities	24,592,564	9,335,485	3,066,412	18,902,880	167,091	31,471,868
Subordinated obligation	300,000	300,000	-	-	-	300,000
Expense liabilities	445,941	36,108	107,212	598,158	-	741,478
Derivative liabilities	15,463	15,463	-	-	-	15,463
Insurance/takaful payables	581,517	581,520	-	-	-	581,520
Other payables	1,532,700	1,532,676	-	-	-	1,532,676
Interest/profit payable on subordinated obligation	1,189	1,189	-	-	-	1,189
Total liabilities	27,469,374	11,802,441	3,173,624	19,501,038	167,091	34,644,194

46. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group

2017	**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**
Investments:						
LAR	2,318,944	2,218,944	-	-	-	2,218,944
AFS	10,431,713	666,866	3,438,860	8,399,617	2,334,180	14,839,523
FVTPL	14,204,901	1,474,186	4,568,449	15,965,378	56,816	22,064,829
Financing receivables	257,778	7,138	22,320	35,093	380	64,931
Reinsurance/retakaful assets*	2,767,576	1,891,940	812,847	90,478	-	2,795,265
Insurance/takaful receivables	641,587	641,587	-	-	-	641,587
Other receivables	1,088,175	1,085,601	2,012	-	562	1,088,175
Derivative assets	12,733	12,733	-	-	-	12,733
Cash and bank balances	411,832	409,989	1,842	-	-	411,831
Total assets	32,135,239	8,408,984	8,846,330	24,490,566	2,391,938	44,137,818

46. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Group

2017 (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
Insurance/takaful contract liabilities**	23,135,946	9,250,648	4,164,472	18,048,947	301,909	31,765,976
Subordinated obligations	800,000	46,048	134,788	849,458	-	1,030,294
Expense liabilities***	379,794	30,957	92,627	256,211	-	379,795
Derivative liabilities	25,806	12,366	13,440	-	-	25,806
Insurance/takaful payables	524,931	524,931	-	-	-	524,931
Other payables	1,384,242	1,383,593	-	-	649	1,384,242
Interest/profit payable on subordinated obligations	11,308	11,308	-	-	-	11,308
Total liabilities	26,262,027	11,259,851	4,405,327	19,154,616	302,558	35,122,352

* Excluding premium/contribution liabilities.
** Excluding premium/contribution liabilities and AFS reserves for General takaful fund.
*** Excluding expense liabilities relating to General takaful fund.

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

46. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Company

2018	**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**
Financial investments:						
AC	11,807	11,807	-	-	-	11,807
Financing receivables	2,083	2,084	-	-	-	2,084
Other receivables	4,790	4,790	-	-	-	4,790
Cash and bank balances	1,864	1,864	-	-	-	1,864
Total assets	20,544	20,545	-	-	-	20,545
Other payables	13,267	13,267	-	-	-	13,267
Total liabilities	13,267	13,267	-	-	-	13,267

46. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

Company

2017	**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**
Investments:						
LAR	72,148	72,148	-	-	-	72,148
AFS	-	-	-	-	-	-
Financing receivables	1,113	187	662	264	-	1,113
Other receivables	2,932	2,421	-	-	511	2,932
Cash and bank balances	3,460	3,460	-	-	-	3,460
Total assets	79,653	78,216	662	264	511	79,653
Other payables	7,083	7,083	-	-	-	7,083
Total liabilities	7,083	7,083	-	-	-	7,083

46. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market risk is the risk of loss or of adverse change in the Group'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;
(b) market interest/profit rates; and
(c) equity price risk.

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

(a) The Group’s policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Group’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.

The Group also issues investment-linked investment policies with a number of products. In the investment-linked business, the policyholders/participants bear the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Group’s exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of market risk in the following pages do not include analyses on the impact of such risks on the investment-linked funds.

46. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(a) Currency Risk

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

The Group's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Hong Kong Dollar, Singapore Dollar, Brunei Dollar and US Dollar.

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

The Group’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 Group has no significant concentration of foreign currency risk.

(b) Interest/Profit Rate Risk

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

Interest/profit rate risks arise from exposures to interest/profit 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 Group.

The Group measures and manages interest/profit 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.

46. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Interest/Profit Rate Risk (Contd.)

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

	2018		2017	
Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
+100 basis points	(491,566)	(431,221)	(359,472)	(506,729)
-100 basis points	491,566	431,221	359,472	506,729

* Impact on equity is after tax of 25% for Malaysia operations and 17% for Singapore operation.

(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/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group'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 other than those held in the investment-linked funds.

The Group'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.

46. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(c) Equity Price Risk (Contd.)

Group

		2018		2017	
	Changes in variables	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%	16,062	(28,595)	-	77,575
	-10%	(16,062)	28,595	-	(77,575)

* Impact on equity is after tax of 25% for Malaysia operations and 17% for Singapore operation.

(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 Group 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 Group'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 Group complied with BNM stipulated limits during the financial year and had no significant concentration risk.

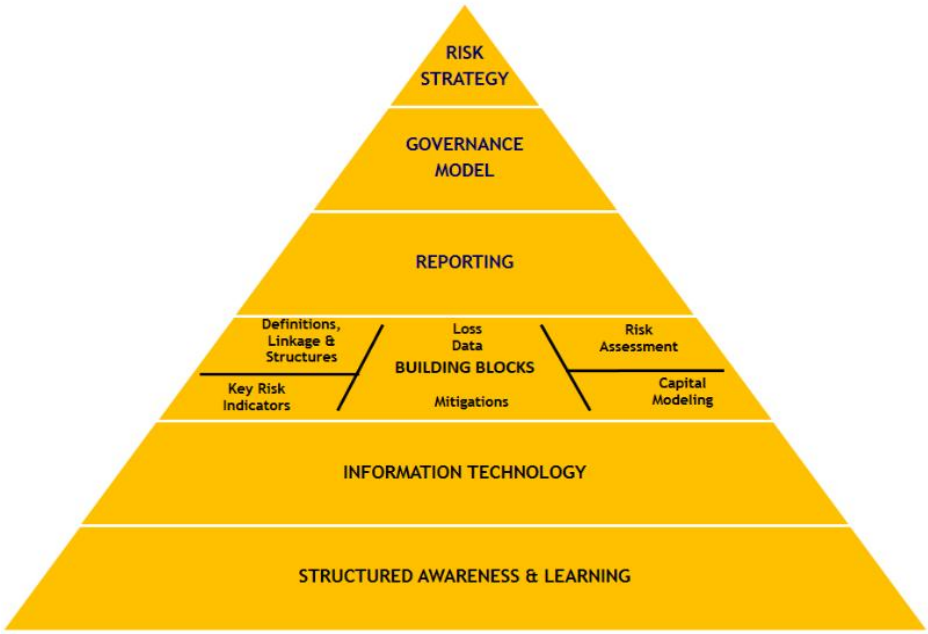
47. OPERATIONAL RISKS

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.

47. OPERATIONAL RISKS (CONTD.)

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 Etiqa are established. Those include among other things: Risk and Control Self-assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and through awareness and learning programme.

Operational Risk Taxonomy

(i) Internal Fraud

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

(ii) External Fraud

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

47. OPERATIONAL RISKS (CONTD.)

(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;

(iii) Diversity & 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.

(viii) Information Technology Risk

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

47. OPERATIONAL RISKS (CONTD.)

(ix) People & Performance Risk

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

(x) Model Risk

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

(xi) Information Risk

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

(xii) Legal Risk

Risk of incurring actual or potential loss that arises due to 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.

48. ENTERPRISE RISK

Enterprise risk covers the external and internal factors that can impact the Group's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave and can also be due to poor internal decision making and management or due to loss of reputation.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment, legislation.

48. ENTERPRISE RISK (CONTD.)

(ii) Corporate Governance Risk

Risk of failure in the process and structure used to direct and manage the business and affairs of MAHB Group towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iii) Industry Risk

Risk arising from changes in opportunities, threats, competitors and other conditions affecting the attractiveness of an industry.

(iv) Distribution Risk

This is the risk of a loss due to distribution plans deviating adversely from expectations, especially in reliance on external parties and partners for the distribution and may include causes such as lack of alignment of incentives, poor relationship management and lack of sufficient bargaining power in the relationship.

(v) Reputational Risk

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

(vi) Business & Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

49. 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 Group 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 Group 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 Group follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group 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.

49. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (Contd.)

The levels of the Fair Value hierarchy as defined by MFRS are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – quoted price

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

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

  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, structured products, NCDs/NICDs,and over- the- counter ("OTC") derivatives.

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

  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.

49. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques

(i) Cash and cash equivalents and other receivables/payables

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

(ii) Financing receivables

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

(iii) Insurance/takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(xii) and 2.2(xxii). The carrying amounts approximate fair values due to the relatively 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(viii) and 2.2(ix). The carrying amounts and fair values of investments are disclosed in Note 9 to the financial statements.

(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.

49. FAIR VALUE MEASUREMENTS (CONTD.)

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

Group	Valuation technique using :			
	Level 1	Level 2	Level 3	
2018	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets				
Investment properties	-	-	890,672	890,672
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	562,540	-	562,540
Singapore government securities	45,184	-	-	45,184
Equity securities	381,852	-	-	381,852
Unit and property trust funds	19,055	-	-	19,055
Other debt securities, structured products NCDs and NICDs	573,679	14,113,564	97,776	14,785,019
(ii) Held-for-trading (HFT)				
Malaysian government papers	-	37,307	-	37,307
Equity securities	1,941,860	-	140,157	2,082,017
Unit and property trust funds	151,532	-	-	151,532
Other debt securities, structured products NCDs and NICDs	-	343,900	-	343,900

49. FAIR VALUE MEASUREMENTS (CONTD.)

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

Group	Valuation technique using :			
	Level 1	Level 2	Level 3	
2018	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets (Contd.)				
Financial investments at FVOCI				
Malaysian government papers	-	643,762	-	643,762
Singapore government papers	612,149	-	-	612,149
Debt securities, structured products, NCDs and NICDs	497,932	6,285,111	-	6,783,043
Derivative assets	-	4,124	-	4,124
Total assets	4,223,243	21,990,308	1,128,605	27,342,156
Liabilities				
Derivative liabilities	-	(15,463)	-	(15,463)
Total liabilities	-	(15,463)	-	(15,463)
2017				
Assets				
Investment properties (excluding IPUC)	-	-	588,224	588,224
Financial investments at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	381,084	-	381,084
Singapore government securities	364,461	-	-	364,461
Other debt securities, structured products NCDs and NICDs	585,879	11,494,496	-	12,080,375

49. FAIR VALUE MEASUREMENTS (CONTD.)

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

Group	Valuation technique using :			
	Level 1	Level 2	Level 3	
2017	Quoted market prices RM'000	Using observable inputs RM'000	Using significant unobservable inputs RM'000	Total RM'000
Assets (Contd.)				
(ii) Held-for-trading (HFT)				
Equity securities	969,222	-	-	969,222
Malaysian government papers	-	92,762	-	92,762
Unit and property trust funds	53,539	-	-	53,539
Other debt securities, structured products and NCDs	-	263,458	-	263,458
Financial investments at AFS				
Malaysian government papers	19,901	717,156	-	737,057
Singapore government papers	37,695	-	-	37,695
Equity securities	2,163,272	-	-	2,163,272
Unit and property trust func	93,424	-	-	93,424
Irredeemable loan stock				
Debt securities, structured products, NCDs and NICDs	937,673	6,607,455	-	7,545,128
Assets				
Derivative assets	-	12,733	-	12,733
Total assets	5,225,066	19,569,144	588,224	25,382,434
Liabilities				
Derivative Liabilities	-	(25,806)	-	(25,806)
Total liabilities	-	(25,806)	-	(25,806)

49. FAIR VALUE MEASUREMENTS (CONTD.)

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

Assets and liabilities of the Group and the Company are recognised in the financial statements on a recurring basis. The Group and the Company determine whether transfers have occurred between fair value hiarerchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfer between Level 1 and Level 2 for the Group and the Company during the financial year ended 31 December 2018.

(e) Movements of Level 3 instruments

Group

2018

	Financial instruments measured at fair value		
	Investment properties RM'000	**Designated at FVTPL RM'000**	**Total RM'000**
As at 1 January	588,224	-	588,224
Effect of adoption of MFRS 9		129,699	129,699
As at 1 January (as restated)	588,224	129,699	717,923
Recognised in income statement:			
Realised gain	-	10,458	10,458
Fair value gain	31,708	-	31,708
Reclassification on completion of IPUC	271,260	-	271,260
Disposals	(520)	-	(520)
As at 31 December	890,672	140,157	1,030,829
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	31,708	10,458	42,166

49. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 instruments (Contd.)

Group	Financial instruments measured at fair value			
	Investment properties RM'000	AFS RM'000	Designated at FVTPL RM'000	Total RM'000
2017				
As at 1 January	678,179	108,766	80,814	867,759
Recognised in income statement:				
Realised gain	-	4,761	3,540	8,301
Fair value gain/(loss)	1,935	-	(21,754)	(19,819)
Recognised in other comprehensive income as fair value gain	-	(29,277)	-	(29,277)
Disposals	(91,890)	(84,250)	(62,600)	(238,740)
As at 31 December	588,224	-	-	588,224
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	1,935	4,761	(18,214)	(11,518)
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	-	(29,277)	-	(29,277)

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

The Group'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 Group'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.

50. SIGNIFICANT EVENTS

(a) Capital reduction in Etiqa Family Takaful Berhad ("EFTB")

On 19 December 2017, the High Court has granted approval for EFTB to reduce its issued and paid-up capital from 400,000,000 ordinary shares into 100,000,000 ordinary shares amounting from RM400 million to RM100 million. Subsequently, MAHB received a capital repayment of RM300 million from EFTB upon the lodgment to Companies Commission of Malaysia ("CCM") on 21 March 2018.

(b) Redemption on Tier-2 Capital Subordinated Bonds of RM500.0million in Etiqa General Insurance Berhad ("EGIB")

On 13 June 2018, BNM approved EGIB's redemption exercise for the Tier-2 Capital Subordinated Bonds of RM500.0million ("the Bond"). Subsequently, EGIB exercised the call option to redeem the Bond on 5 July 2018. The Bond had been issued on 5 July 2013 with a tenure of ten (10) years from issue date on 10 non-callable 5 basis, with interest rate of 4.13% per annum payable semi-annually and is due on 2023.

(c) Capital injection into Etiqa General Insurance Berhad ("EGIB")

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

(d) Capital Injection into Etiqa Insurance Pte. Ltd. ("EIPL")

On 23 November 2018, the MAHB Board had approved the proposed capital injection of S$15m by MAHB into EIPL. The capital injection is required to meet the Par Fund requirement in Singapore to ensure the EIPL's Life Business Bonus Supportability Ratio ("BSR") is at least at 100% as required by MAS, and to provide a sufficient level of buffer for the insurer.

On 26 November 2018, BNM Foreign Exchange Administration approved the overseas money remittance and subsequently the fund was successfully transferred to EIPL on 28 December 2018.

51. CAPITAL MANAGEMENT

The Company is currently not subject to externally imposed capital requirements. Internally, capital is managed in accordance with the aim to provide adequate returns to its shareholders without resulting in deterioration of its current capital position.

The capital of the Group is also managed in accordance with this aim, subject as well to the external requirements imposed on its subsidiaries by the various regulators as disclosed in Note 7.

52. INSURANCE FUNDS

The Group's principal activities are organised by funds and segregated into Shareholders', General, Life, General Takaful and Family Takaful funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.
The Group's statement of financial position and Income Statement have been further analysed by funds.
The Life and Family Takaful insurance businesses offer a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products.
The General Insurance and General Takaful insurance businesses offer general insurance/takaful products which include Motor, Fire, Marine, Aviation and Transit ("MAT"), Health & Surgical and Miscellanous products.

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2018

	Total		* Consolidation elimination		Shareholders' and General Funds		Life Fund		General Takaful Fund		Family Takaful Fund	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets:												
Property, plant and equipment	120,943	123,331			81,227	47,789	39,716	75,542	-	-	-	-
Investment properties	890,672	749,432			(22,168)	113,723	912,840	635,709	-	-	-	-
Prepaid land lease payments	18,070	18,557			17,229	7,133	841	11,424	-	-	-	-
Intangible assets	93,158	83,730			51,182	50,756	41,976	32,974	-	-	-	-
Investment in associates	1,238	1,238			1,238	1,238	-	-	-	-	-	-
Investments	28,924,918	27,152,672	*(24,632)*	*(25,233)*	4,946,701	4,982,632	11,995,394	10,794,727	1,697,218	1,697,348	10,310,237	9,703,198
Financing receivables	262,365	257,778			50,537	48,981	211,828	208,797	-	-	-	-
Reinsurance assets	3,132,102	3,082,373			2,773,886	2,700,648	52,241	40,472	232,173	262,168	73,802	79,085
Insurance receivables	514,020	615,300			342,808	402,550	32,386	33,458	63,235	100,620	75,591	78,672
Other receivables	604,206	860,158			157,022	314,684	261,493	269,394	19,568	15,897	166,123	260,183
Derivative assets	4,124	12,733			296	2,453	3,828	10,280	-	-	-	-
Deferred tax assets	17,559	9,789			8,809	4,534	-	3,473	6,983	88	1,767	1,694
Current tax assets	133,847	25,955			108,783	1,842	-	-	3,883	3,883	21,181	20,230
Cash and bank balances	487,146	411,832			190,544	126,672	130,956	205,782	62,114	33,959	103,532	45,419
Total Assets	35,204,368	33,404,878			8,708,094	8,805,635	13,683,499	12,322,032	2,085,174	2,113,963	10,752,233	10,188,481
Equity and liabilities:												
Share capital	660,866	660,866			660,866	660,866	-	-	-	-	-	-
Reserves	5,379,339	4,868,831	*(3,632)*	*(4,233)*	5,382,971	4,873,064	-	-	-	-	-	-
	6,040,205	5,529,697			6,043,837	5,533,930	-	-	-	-	-	-
Liabilities:												
Insurance/takaful contract liabilities	25,799,681	24,227,221	*(21,000)*	*(21,000)*	3,473,621	3,405,680	10,353,703	9,354,386	1,706,242	1,690,649	10,287,115	9,797,506
Subordinated obligations	300,000	800,000			300,000	800,000	-	-	-	-	-	-
Expense liabilities	573,531	517,710			573,531	517,710	-	-	-	-	-	-
Derivative liabilities	15,463	25,806			249	-	15,214	25,806	-	-	-	-
Deferred tax liabilities	409,366	630,356			303,390	541,281	105,976	96,234	-	(4,980)	-	(2,179)
Insurance payables	566,452	499,019			421,867	334,967	42,404	36,367	68,666	82,465	33,515	45,220
Other payables	1,218,263	1,156,229			(2,690,998)	(2,346,773)	3,167,392	2,809,239	310,266	345,829	431,603	347,934
Interest/profit payable on subordinated obligations	1,189	11,308			1,189	11,308	-	-	-	-	-	-
Current tax liabilities	280,218	7,532			281,408	7,532	(1,190)	-	-	-	-	-
Total Liabilities	29,164,163	27,875,181			2,664,257	3,271,705	13,683,499	12,322,032	2,085,174	2,113,963	10,752,233	10,188,481
Total equity and liabilities	35,204,368	33,404,878			8,708,094	8,805,635	13,683,499	12,322,032	2,085,174	2,113,963	10,752,233	10,188,481

** The consolidation elimination indicated the group inter-fund elimination.*

52. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Total		Consolidation elimination		Shareholders' Funds		General fund		Life Fund		General Takaful Fund		Family Takaful Fund	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	8,044,091	7,166,351	*(767,863)*	*(1,772,981)*	1,175,106	1,961,252	1,190,929	1,276,172	3,032,061	2,630,277	1,377,617	1,290,695	2,036,241	1,780,936
Gross earned premiums/contributions	6,641,683	5,966,158	*(35)*	*(130)*	-	-	1,279,854	1,243,115	2,542,927	2,152,609	1,249,513	1,225,432	1,569,424	1,345,132
Earned premiums/contributions ceded to reinsurers/retakaful	(950,992)	(918,691)			-	-	(735,607)	(708,533)	(26,130)	(24,010)	(121,302)	(123,117)	(67,953)	(63,031)
Net earned premiums/contributions	5,690,691	5,047,467			-	-	544,247	534,582	2,516,797	2,128,599	1,128,211	1,102,315	1,501,471	1,282,101
Fee and commission income	77,075	87,511	*(753,262)*	*(664,195)*	753,261	664,194	58,977	54,614	645	3,390	16,177	19,602	1,277	9,906
Investment income	1,259,760	1,214,131			178,590	188,403	56,979	39,928	489,132	477,666	68,242	72,331	466,817	435,803
Realised (losses)/gains	(452,455)	578,397			(40,893)	114,336	(7,650)	23,540	(240,822)	303,844	(4,918)	4,171	(158,172)	132,506
Fair value (losses)/gains	(61,794)	85,379			27,902	85	(7,251)	2,914	(134,483)	97,334	(1,721)	-	53,759	(14,954)
Other operating income/(expenses), net	26,808	(144,604)			3,080	(14,219)	16,509	(424)	6,912	(104,312)	1,722	898	(1,415)	(26,547)
Other revenue	849,394	1,820,814			921,940	952,799	117,564	120,572	121,384	777,922	79,502	97,002	362,266	536,714
Gross benefits and claims paid	(3,289,043)	(3,644,317)			-	-	(609,785)	(864,554)	(1,060,699)	(1,248,403)	(728,707)	(768,080)	(889,852)	(763,280)
Claims ceded to reinsurers	404,798	707,540			-	-	310,705	564,548	13,582	12,848	32,733	94,916	47,778	35,228
Gross change in contract/certificate liabilities	(1,525,370)	(1,055,174)			-	-	(36,543)	740,005	(957,855)	(1,029,473)	(13,260)	(66,749)	(517,712)	(698,957)
Change in contract/certificate liabilities ceded to reinsurers/retakaful	15,574	(624,803)			-	-	38,126	(667,603)	11,820	11,808	(29,089)	1,582	(5,283)	29,410
Net benefits and claims	(4,394,041)	(4,616,754)			-	-	(297,497)	(227,604)	(1,993,152)	(2,253,220)	(738,323)	(738,331)	(1,365,069)	(1,397,599)
Management expenses	(811,798)	(710,318)	*35*	*130*	(414,334)	(315,263)	(170,378)	(188,080)	(203,505)	(180,505)	-	-	(23,616)	(26,600)
Reimbursement of Shared Services	45,326	17,159			45,326	17,159	-	-	-	-	-	-	-	-
Change in expense liabilities	(11,107)	9,268			(11,107)	9,268	-	-	-	-	-	-	-	-
Fee and commission expenses	(516,254)	(490,960)	*753,262*	*664,195*	(239,036)	(238,623)	(103,038)	(99,075)	(173,386)	(151,525)	(411,804)	(370,181)	(342,252)	(295,751)
Interest on subordinated obligations	(24,092)	(34,210)			(24,092)	(34,210)	-	-	-	-	-	-	-	-
Tax borne by policyholders/participants	(27,162)	(69,292)			-	-	-	-	(30,546)	(71,583)	2,824	594	560	1,697
Other expenses	(1,345,087)	(1,278,353)			(643,243)	(561,669)	(273,416)	(287,155)	(407,437)	(403,613)	(408,980)	(369,587)	(365,308)	(320,654)
Profit before tax before surplus transfer from Insurance and Takaful funds	800,957	973,174			278,697	391,130	90,898	140,395	237,592	249,688	60,410	91,399	133,360	100,562
Surplus transfer from:														
- General Fund	-	-			74,327	109,659	(74,327)	(109,659)	-	-	-	-	-	-
- Life Par Fund	-	-			36,898	25,720	-	-	(36,898)	(25,720)	-	-	-	-
- Life Non Par Fund	-	-			200,694	223,968	-	-	(200,694)	(223,968)	-	-	-	-
- General Takaful Fund	-	-			60,410	91,399	-	-	-	-	(60,410)	(91,399)	-	-
- Family Fund	-	-			133,360	100,562	-	-	-	-	-	-	(133,360)	(100,562)
Profit before tax after surplus transfer from Insurance and Takaful funds	800,957	973,174			784,386	942,438	16,571	30,736	-	-	-	-	-	-
Taxation	(85,740)	(234,620)			(69,169)	(203,884)	(16,571)	(30,736)	-	-	-	-	-	-
Zakat	(16,209)	(3,719)			(16,209)	(3,719)	-	-	-	-	-	-	-	-
Mudharabah paid to participants	-	-			-	-	-	-	-	-	-	-	-	-
Net profit for the year	699,008	734,835			699,008	734,835	-	-	-	-	-	-	-	-