Etiqa Insurance Berhad

(9557 T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2014

Ahli Kumpulan Maybank

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of general insurance, life insurance and investment-linked businesses.

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

RESULTS

	RM'000
Net profit for the financial year	
- from continuing operations	343,453
- from discontinuing operation	11,995
	355,448

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

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

DIVIDENDS

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

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within the MBB Group.

The maximum number of ordinary shares of RM1 each 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.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Salleh Hj Harun (Chairman)
Gary Lee Crist (Vice Chairman)
Dato' Johan Ariffin
Zainal Abidin Jamal
Datuk R. Karunakaran
Loh Lee Soon
Frank J.G Van Kempen
Koh Heng Kong

Pursuant to Article 98 of the Company's Articles of Association, Encik Zainal Abidin Jamal and Y.Bhg. Datuk R. Karunakaran shall retire at the forth coming Annual General Meeting ("AGM") of the Company and being eligible, offer themselves for re-election.

Pursuant to Article 129 of the Companies Act 1965, Dato' Mohd Salleh Hj Harun shall retire at the forthcoming AGM of the Company and offers himself for re-appointment to hold office until the conclusion of the next AGM of the Company.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

(a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Financial Services Act 2013 ("the Act") and Bank Negara Malaysia's ("BNM") Policy Documents, including BNM/RH/GL/003-1: *Minimum Standards for Prudential Management of Insurers (Consolidated)* and other directives. It complies with the tenets of corporate governance by adopting best practices as stipulated under BNM/RH/GL/003-2: *Prudential Framework of Corporate Governance for Insurers.*

Apart from its statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. It ensures the implementation of appropriate systems to manage risks and also reviews and approves the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through its various Committees.

CORPORATE GOVERNANCE (CONTD.)

(a) Board Responsibilities (Contd.)

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

The Company has an organisational structure disclosing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are conducted annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that is required for the management of the Company.

The Board met 8 times during the year and the attendance of the directors was as follows:

	Number of Board meetings attended	%
Dato' Mohd Salleh Hj Harun (Chairman)	8/8	100
Gary Lee Crist (Vice Chairman)	7/8	88
Dato' Johan Ariffin	7/8	88
Zainal Abidin Jamal	8/8	100
Datuk R. Karunakaran	8/8	100
Loh Lee Soon	7/8	88
Frank J.G Van Kempen	7/8	88
Koh Heng Kong	8/8	100

(b) Management Accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(c) Corporate Independence

Significant related party transactions and balances are disclosed in Note 41 to the financial statements.

CORPORATE GOVERNANCE (CONTD.)

(d) Internal Controls and Audit

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, ensure that corrective action, where necessary, is taken in a timely manner.

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned.

The AC is established at the level of the holding company, Maybank Ageas Holdings Berhad ("MAHB"). The composition and the attendance of the directors are as follows:

	Number of AC meetings attended	%
Loh Lee Soon (Chairman) Independent Non-Executive Director	5/5	100
Gary Lee Crist Non-Independent Non-Executive Director	3/5	60
Koh Heng Kong Independent Non-Executive Director	5/5	100

The AC met 5 times during the year.

(e) Risk Management

The Board established the Risk Management Committee ("RMC") to support sound corporate governance and processes. The primary objective of the RMC is to oversee senior management's activities in managing key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

CORPORATE GOVERNANCE (CONTD.)

(e) Risk Management (Contd.)

The RMC is established at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") established by the management.

The risk management framework of the Company comprises three main components i.e. policy-making, monitoring and control and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking unit, risk control unit and internal audit. Risks have been classified into major risk categories, which are made up of financial, insurance operational, enterprise and shariah risks.

There is an on-going process in identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which include the setting up of operational risk limits for all core activities.

The composition of the RMC established at MAHB is as follows:

	Number of RMC meetings attended	**%**
Datuk R. Karunakaran (Chairman) Independent Non-Executive Director	6/7	86
Gary Lee Crist Non-Independent Non-Executive Director	5/7	71
Koh Heng Kong Independent Non-Executive Director	7/7	100

The RMC met 7 times during the year.

(f) Nomination and Remuneration Committee

The Company will continue to leverage on the existing Nomination and Remuneration Committee ("NRC") of the Board which had taken effect as a merged committee of the ultimate holding company, MBB on 27 May 2010 as part of its governance structure.

The primary objective of the NRC is to establish a documented, formal and transparent procedure for the appointment of directors and the Chief Executive Officer ("CEO") and key senior officers as well as assessment of the effectiveness of individual directors, the Board as a whole and the performance of the CEO and key senior officers.

CORPORATE GOVERNANCE (CONTD.)

(f) Nomination and Remuneration Committee (Contd.)

Further, the NRC is also responsible to provide a formal and transparent procedure in developing remuneration policy for directors, CEO and key senior officers and ensuring compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the NRC is as follows:

	Number of NRC meetings attended	%
Dato' Mohd Salleh Hj Harun Independent Non-Executive Director	10/10	100
Tan Sri Dr Hadenan A Jalil Independent Non-Executive Director	10/10	100
Dato' Dr Tan Tat Wai Independent Non-Executive Director	10/10	100
Datuk R. Karunakaran (Appointed on 1 August 2014) Independent Non-Executive Director	4/4	100
Zainal Abidin Jamal (Retired on 7 April 2014) Non-Independent Non-Executive Director	3/3	100

The NRC met 10 times during the year.

(g) Investment Committee

The Investment Committee ("IC") reports to the Boards of Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB"), under MAHB.

The objectives of the IC include:

(i) to present an opinion on the long-term strategic investment policy including real estate, as a recommendation to the Risk Management Meeting ("RMM")/RMC/Board based on the ALCO's advice;

(ii) to establish tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM");

CORPORATE GOVERNANCE (CONTD.)

(g) Investment Committee (Contd.)

(iii) to test the policy conducted by the investment manager against the strategic and tactical investment policy;

(iv) to evaluate, review and maintain the Investment Management Guidelines ("IMG"), based on ALCO's advice;

(v) to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries;

(vi) to assess investment performance of proprietary portfolios and unit linked funds; and

(vii) to discuss peer review on investment performance.

The composition of the IC is as follows:

	Number of IC meetings attended	%
Datuk Abdul Farid Alias (Chairman) Non-Independent Executive Director	4/4	100
Datuk R. Karunakaran Independent Non-Executive Director	3/4	75
Frank J.G Van Kempen Non-Independent Non-Executive Director	4/4	100

The IC met 4 times during the year.

(h) Board Oversight Committee for Land Development

The Board Oversight Committee for Land Development ("BOC Land") was established on 19 April 2012. The BOC Land is a governance body which carries an oversight function on property development activities managed by the Property Development Steering Committee ("PDSC").

To achieve this objective, the BOC Land will need to approve as well as review and monitor property development activities endorsed by the PDSC.

The BOC Land reports to the Board.

CORPORATE GOVERNANCE (CONTD.)

(h) Board Oversight Committee for Land Development (Contd.)

The composition of the BOC Land is as follows:

	Number of BOC Land meetings attended	%
Dato' Johan Ariffin (Chairman) Independent Non-Executive Director	7/7	100
Datuk R. Karunakaran Investment Committee Member	7/7	100
Loh Lee Soon Non-Executive Board Member	6/7	86

BOC Land met 7 times during the year.

(i) Board Oversight Committee on Re-organisation of Entities Pursuant to Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA")

The Board Oversight Committee on Re-organisation of Entities Pursuant to FSA and IFSA ("BOC FSA&IFSA") was established on 20 June 2014. The BOC FSA&IFSA is a governance body which carries an oversight function of the re-organisation of EIB and ETB under the FSA and IFSA.

The role of the BOC FSA&IFSA is to revise MAHB Group's functional structure in compliance with FSA and IFSA that would promote growth sustainability.

The BOC FSA&IFSA reports to the Boards of EIB and ETB respectively.

The composition of the BOC FSA&IFSA is as follows:

	Number of BOC FSA&IFSA meetings attended	%
Zainal Abidin Jamal (Chairman) (Appointed on 20 June 2014) Non-Independent Non-Executive Director	3/3	100
Frank J.G Van Kempen (Appointed on 20 June 2014) Non-Independent Non-Executive Director	3/3	100

CORPORATE GOVERNANCE (CONTD.)

(i) Board Oversight Committee on Re-organisation of Entities Pursuant to Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA") (Contd.)

	Number of BOC FSA&IFSA meetings attended	%
Koh Heng Kong (Appointed on 20 June 2014) Non-Executive Board Member	3/3	100

BOC FSA&IFSA met 3 times during the year.

(j) Public Accountability

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

(k) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares, in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ESS of the ultimate holding company, MBB.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors. None of the directors now are employees of the Company as disclosed in Notes 33 and 41 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares, Employees' Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU") of the ultimate holding company, MBB during the financial year were as follows:

	Number of Ordinary Shares of RM1 each			
	At	Issued pursuant to		At
	1.1.2014	DRP*	ESOS-RSU	31.12.2014
Direct interest:				
Dato' Mohd Salleh Hj Harun	337,399	16,733	-	354,132
Dato' Johan Ariffin	249,926	13,075	-	263,001

* DRP = Dividend Reinvestment Plan

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

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") for insurers issued by BNM.

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

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

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

OTHER STATUTORY INFORMATION (CONTD.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

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

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

 (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

 (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

 (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

SIGNIFICANT EVENT

There were no significant event during the financial year other than as disclosed in Note 46 to the financial statements.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 February 2015.

DATO' MOHD SALLEH HJ HARUN

LOH LEE SOON

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Mohd Salleh Hj Harun and Loh Lee Soon, being two of the directors of Etiqa Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 174 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2014 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 February 2015.

DATO' MOHD SALLEH HJ HARUN

LOH LEE SOON

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Zaharudin Daud, being the officer primarily responsible for the financial management of Etiqa Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 174 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed ZAHARUDIN DAUD
at Kuala Lumpur in Wilayah
Persekutuan on 24 February 2015

ZAHARUDIN DAUD

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
MALAYSIA

Before me,

Commissioner for Oaths

No. 10-2, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur

Building a better working world

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Independent auditors' report to the member of
Etiqa Insurance Berhad
(Incorporated in Malaysia)

Report on the financial statement

We have audited the financial statements of Etiqa Insurance Berhad which comprise statement of financial position as at 31 December 2014 of the Company, income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Company for the financial year ended 31 December 2014, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 174.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of the financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and of their financial performance and cash flows for the year ended 31 December 2014 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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
24 February 2015

Yeo Beng Yean
No. 3013/10/16(J)
Chartered Accountant

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)
Assets				
Property, plant and equipment	3	112,450	112,934	111,087
Investment properties	4	586,929	574,536	569,704
Prepaid land lease payments	5	19,571	19,874	20,341
Intangible assets	6	30,049	23,119	25,827
Investment in associate	8	152	152	152
Investments	9	12,619,362	12,951,711	13,265,325
Financing receivables	11	264,431	267,131	266,379
Reinsurance assets	12	4,096,708	1,711,403	1,690,576
Insurance receivables	13	341,771	198,463	371,823
Other receivables	14	336,841	230,574	248,297
Derivative assets	15	12,646	13,278	688
Current tax assets		63,691	39,226	6,602
Cash and bank balances		71,708	139,548	159,820
		18,556,309	16,281,949	16,736,621
Assets classified as held for sale	16	391,249	-	-
Total Assets		18,947,558	16,281,949	16,736,621
Equity				
Share capital	17	152,151	152,151	152,151
Reserves	18	2,626,494	2,337,224	2,442,451
Total Equity		2,778,645	2,489,375	2,594,602
Liabilities				
Insurance contract liabilities	19	14,225,965	12,267,653	12,625,632
Subordinated obligation	20	500,000	500,000	-
Derivative liabilities	15	15,134	3,051	-
Deferred tax liabilities,net	21	464,802	435,198	429,499
Insurance payables	22	373,346	211,556	405,177
Other payables	23	318,997	364,933	307,210
Interest payable for subordinated obligation	20	10,071	10,183	-
Dividend payable		-	-	350,329
Current tax liabilities		-	-	24,172
		15,908,315	13,792,574	14,142,019
Liabilities directly associated with the assets classified as held for sale	16	260,598	-	-
Total Liabilities		16,168,913	13,792,574	14,142,019
Total Equity and Liabilities		18,947,558	16,281,949	16,736,621

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

ETIQA INSURANCE BERHAD
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000 (Restated)
Operating revenue	24	3,362,391	3,065,493
Gross earned premiums	25(a)	2,523,037	2,351,311
Earned premiums ceded to reinsurers	25(b)	(826,533)	(828,173)
Net earned premiums		1,696,504	1,523,138
Fee and commission income	26	53,065	58,560
Investment income	27	594,006	606,578
Realised gains	28	294,461	393,170
Fair value losses	29	(29,455)	(266,646)
Other operating (expenses)/income, net	30	(22,730)	782
Other revenue		889,347	792,444
Gross benefits and claims paid	31(a)	(2,976,142)	(1,990,241)
Claims ceded to reinsurers	31(b)	1,207,097	213,300
Gross change in contract liabilities	31(c)	(2,144,733)	381,705
Change in contract liabilities ceded to reinsurers	31(d)	2,299,833	11,705
Net benefits and claims		(1,613,945)	(1,383,531)
Management expenses	32	(270,664)	(276,846)
Fee and commission expenses	34	(165,876)	(168,185)
Interest on subordinated obligation	20	(20,650)	(10,183)
Taxation borned by policyholders	35	(47,050)	(31,061)
Other expenses		(504,240)	(486,275)
Profit before tax from continuing operations		467,666	445,776
Taxation	35	(124,213)	(69,847)
Net profit for the year from continuing operations		343,453	375,929
Discontinuing operation:	16		
Net profit for the year from discontinuing operation		11,995	7,317
Net profit for the year		355,448	383,246
Earnings per share (sen) from continuing operations			
Basic	36	225.73	247.08
Earnings per share (sen) from discontinuing operation			
Basic	36	7.88	4.81

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

ETIQA INSURANCE BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
Net profit for the year		355,448	383,246
Other comprehensive income:			
Items that may be subsequently reclassified to income statement			
Change in value of AFS financial assets, net			
- Fair value changes		27,200	237,164
- Transfer to profit or loss upon disposal	28	(221,107)	(274,489)
- Fair value adjustment for AFS financial asset backing Participating Fund	19	96,296	(22,840)
Tax effect relating to AFS financial assets	35	24,376	15,050
		(73,235)	(45,115)
Currency translation differences		773	1,348
Other comprehensive loss from continuing operations for the year, net of tax		(72,462)	(43,767)
Other comprehensive income from discontinuing operation for the year, net of tax	16	6,284	5,472
Total comprehensive income for the year		289,270	344,951
Comprising of:			
- Continuing operations		270,991	332,162
- Discontinuing operation		18,279	12,789
		289,270	344,951

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

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ETIQA INSURANCE BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share Capital RM'000	Share Premium RM'000	Available-for-Sale Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-Par Fund Surplus RM'000	Retained Profits RM'000	Sub-total Retained Earnings RM'000	Total Equity RM'000
	----------Non-distributable				----------	Retained Earnings Distributable			
At 1 January 2014	152,151	17,728	71,602	11,647	25,150	1,188,727	1,022,370	2,211,097	2,489,375
Net profit for the year	-	-	-	-	-	215,797	139,651	355,448	355,448
Other comprehensive income/(losses) for the year	-	-	(73,478)	-	7,300	-	-	-	(66,178)
Total comprehensive income/(losses) for the year	-	-	(73,478)	-	7,300	215,797	139,651	355,448	289,270
At 31 December 2014	152,151	17,728	(1,876)	11,647	32,450	1,404,524	1,162,021	2,566,545	2,778,645
At 1 January 2013	152,151	17,728	122,486	11,647	12,561	1,010,380	1,267,649	2,278,029	2,594,602
Net profit for the year	-	-	-	-	-	178,347	204,899	383,246	383,246
Other comprehensive income/(losses) for the year	-	-	(50,884)	-	12,589	-	-	-	(38,295)
Total comprehensive income/(losses) for the year	-	-	(50,884)	-	12,589	178,347	204,899	383,246	344,951
Dividend on ordinary shares (Note 37)	-	-	-	-	-	-	(450,178)	(450,178)	(450,178)
At 31 December 2013	152,151	17,728	71,602	11,647	25,150	1,188,727	1,022,370	2,211,097	2,489,375

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:		
- Continuing operations	467,666	445,776
- Discontinuing operation	13,409	7,317
	481,075	453,093
Adjustments for:		
Taxation borned by policyholders	47,050	31,061
Depreciation of property, plant and equipment	11,588	11,566
Amortisation of intangible assets	13,507	11,428
Fair value losses on financial assets at FVTPL	29,345	269,436
Fair value loss/(gain) on investment properties	110	(2,790)
Amortisation of prepaid land lease payments	303	303
Amortisation of premium on investments	8,118	1,409
Loss on write off of property, plant and equipment	30	-
Net gain on foreign exchange	(16,205)	(6,803)
Allowance for impairment of reinsurance assets	1,153	36
(Write back)/allowance of impairment of insurance receivables	(5,837)	3,010
Bad debt written off	1,433	907
Write back of impairment of other receivables	(143)	(224)
(Write back)/allowance for impairment of financing receivables	(399)	408
Intangible assets adjustment	-	310
Net gain on disposal of investments	(293,656)	(395,622)
Interest income	(524,933)	(526,169)
Interest expense	20,650	10,183
Impairment on investments	47,526	4,817
Impairment of property, plant and equipment	-	58
Impairment of prepaid land lease payments	-	164
Gross dividend income	(55,513)	(60,048)
Rental income	(29,073)	(29,149)
Loss from operations before changes in operating assets and liabilities	(263,871)	(222,616)
Changes in working capital:		
Increase in reinsurance assets	(2,424,190)	(20,863)
(Increase)/decrease in insurance receivables	(170,796)	169,483
(Increase)/decrease in other receivables	(124,683)	19,865
Decrease/(increase) in financing receivables	3,099	(1,160)
Increase in amounts due from related parties	(408)	(531)
(Decrease)/increase in other payables	(19,330)	57,607
Carried forward	(3,000,179)	1,785

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)		
Brought forward	(3,000,179)	1,785
Increase/(decrease) in insurance contract liabilities	2,277,651	(379,258)
Increase/(decrease) in insurance payables	167,245	(193,621)
Decrease/(increase) in LAR	344,055	(390,680)
Interest income received	518,403	531,187
Dividend income received	55,704	53,368
Rental income received	29,578	28,820
Currency translation reserve	7,300	12,589
Cash generated from/(used in) operations	399,757	(335,810)
Tax paid	(135,456)	(138,636)
Net cash generated from/(used in) operating activities	264,301	(474,446)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	7,332,305	8,316,108
Purchase of investments	(7,571,833)	(7,536,932)
Proceeds from sale of property, plant and equipment	27	666
Proceeds from sale of intangible assets	2,348	-
Additions to IPUC	(12,503)	(2,042)
Purchase of property, plant and equipment	(14,187)	(11,651)
Purchase of intangible assets	(22,383)	(11,468)
Net cash (used in)/generated from investing activities	(286,226)	754,681
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(800,507)
Proceeds from issuance of subordinated obligation	-	500,000
Interest paid on subordinated obligation	(20,763)	-
Net cash used in financing activity	(20,763)	(300,507)
Net decrease in cash and cash equivalents	(42,688)	(20,272)
Cash and cash equivalents at beginning of year	139,548	159,820
Attributable to disposal group held for sale (Note 16)	(25,152)	-
Cash and cash equivalents at end of year	71,708	139,548
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	45,809	85,097
Life insurance fund	25,899	54,451
	71,708	139,548

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

1. CORPORATE INFORMATION

The principal activities of the Company include the underwriting of general insurance, life insurance and investment-linked businesses.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

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

At the beginning of the current financial year, the Company had adopted all new and revised MFRSs, amendments to MFRS and Issues Committee ("IC") Interpretations effective for annual periods beginning on or after 1 January 2014. The adoption of these new and revised MFRSs, amendments to MFRS and IC Interpretations did not result in any significant impact to the financial position or performance of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (Contd.)

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

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

2.2 Summary of Significant Accounting Policies

(i) Property, Plant and Equipment and Depreciation

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

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognise such parts as individual assets with specific useful lives and depreciate 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 the profit or loss as incurred.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Property, Plant and Equipment and Depreciation (Contd.)

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

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	20% - 25%
Computers and peripherals	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.

(ii) Investment Properties

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ii) Investment Properties (Contd.)

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

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

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 value of IPUC is determined at the end of the reporting date based on the opinion of 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.)

(iii) Leases

(a) Classification

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

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

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

(b) Finance Leases - The Company as Lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iii) Leases (Contd.)

(c) Operating Leases - The Company as Lessor

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

(d) Operating Leases - The Company as Lessee

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

(iv) Intangible Assets

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

Amortisation is charged to the profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(iv) Intangible Assets (Contd.)

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

(a) Software Development Costs

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

(b) Computer Software

The useful lives of computer software are amortised using the straight line method over their estimated useful lives of 4 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.

(v) Investment In Associate And Basis of Non-Consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Financial Assets

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

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

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

(a) Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading ("HFT") 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 if 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.)

(vi) Financial Assets (Contd.)

(a) Financial Assets at FVTPL (Contd.)

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

(b) LAR

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR. For the accounting policies with respect to insurance receivables and reinsurance assets are disclosed in Note 2.2 (x) and Note 2.2 (ix) 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 cost and subsequently measured at amortised cost using the effective interest method less accumulated impairment losses.

(c) AFS Financial Assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vi) Financial Assets (Contd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or 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.

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 marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commit to purchase or sell the asset.

(vii) Fair Value of Financial Assets at FVTPL and AFS Financial Assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(vii) Fair value of Financial Assets at FVTPL and AFS Financial Assets (Contd.)

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 as FVTPL where the transaction costs are recognised in profit or loss.

(viii) Impairment

(a) Financial Assets

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

Insurance receivables

To determine whether there is objective evidence that an impairment loss on insurance receivables has been incurred, the Company 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment (Contd.)

(a) Financial Assets (Contd.)

Insurance receivables (Contd.)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment (Contd.)

(a) Financial Assets (Contd.)

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 period. Increases in fair value, if any, subsequent to impairment are recognised in other comprehensive income. For debt instruments classified as AFS financial assets, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after impairment.

Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on unquoted equity 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.

Financing, loans and receivables

Financing, loans and receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment loss as a result of the occurrence of loss event 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(viii) Impairment (Contd.)

(b) Non-financial Assets

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

An asset's recoverable amount is the higher of 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 are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation when the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its written down to its recoverable amount.

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

(ix) Reinsurance Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(ix) Reinsurance Assets (Contd.)

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

At each reporting date, or more frequently, the Company determines whether objective evidence exists that reinsurance assets are impaired. Objective evidence of impairment for reinsurance assets are similar to those noted for insurance receivables as described in Note 2.2 (viii) (a). If any such evidence exists, the amount of the 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.

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

(x) Insurance Receivables

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

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

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

(xi) Cash and Cash Equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

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

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

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

A component of the Company is classified as a discontinued operation when it has been disposed of or classified as held for sale. Further, the component should also meet the criteria that component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale.

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

(xiii) Equity Instruments

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

(xiv) Product Classification

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) Product Classification (Contd.)

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

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

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

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

(a) likely to be a significant portion of the total contractual benefits;

(b) whose amount or timing is contractually at the discretion of the issuer; and

(c) contractually based on the:

- performance of a specified pool of contracts or a specified type of contract; or

- realised and/or unrealised investment returns on a specified pool of asset held by the issuer; or

- the profit or loss of the company, fund or other entity that issues the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xiv) 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 Company may exercise their discretion as to the quantum and timing of their payment to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance contract liabilities as at the end of the reporting date.

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

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

(xv) General Insurance Contract Liabilities

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

(a) Claim Liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) General Insurance Contract Liabilities (Contd.)

(a) Claim Liabilities (Contd.)

Liabilities for outstanding claims are recognised upon notification by policyholders.

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

(b) Premium Liabilities

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

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

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

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

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

  - 1/24th method for all other classes of local business reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and

  - 1/8th method for all classes of overseas business with a deduction of 20% for commission;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xv) General Insurance Contract Liabilities (Contd.)

(b) Premium Liabilities (Contd.)

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

  Non-annual policies are time-apportioned over the period of the risks after deducting the commission, that relate to the unexpired periods of policies at the end of the financial year.

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

  The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of 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 Signing Actuary.

(xvi) Life Insurance Contract Liabilities

Life insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the risk-free 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 total benefit liabilities computation, 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.)

(xvi) 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 product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy. The value 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, are set as liabilities if the accumulated amount is higher than the figure calculated using the gross premium valuation method.

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

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

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originating from margins of adverse deviation on run-off contracts, are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

(xvii) Financial Liabilities

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xvii) Financial Liabilities (Contd.)

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.

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

(xviii) Liability Adequacy Test

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

(xix) Insurance Payables

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

(xx) Premium Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xx) Premium Income (Contd.)

(a) General Insurance Business

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

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

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

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

(b) Life Insurance Business

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxi) Benefits and Claims Expenses

(a) General Insurance 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 date even if they had not been reported to the Company.

(b) Life Insurance Business

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

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

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

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

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

(xxii) Commission Expenses and Acquisition Costs

(a) General Insurance Business

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

(b) Life Insurance Business

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxiii) Other Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of the revenue can be measured reliably.

(a) Interest Income

Interest income is recognised using the effective interest method.

(b) Dividend Income

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

(c) Rental Income

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

(d) Management Fees

Management fee is recognised 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.

(xxiv) Fee and Commission Income

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

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

(c) Share-based Compensation

Employees' share option scheme ("ESOS")

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxv) Employee Benefits (Contd.)

(c) Share-based Compensation (Contd.)

Restricted share units ("RSU")

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

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

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

(xxvi) Foreign Currencies

(a) Functional and Presentation Currency

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

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

(b) Foreign Currency Transactions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Foreign Currencies (Contd.)

(b) Foreign Currency Transactions (Contd.)

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under 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 of the Company's financial statements are translated into RM as follows:

- assets and liabilities of foreign operations presented are translated at the closing rate prevailing as at the reporting date;

- income and expenses are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- all resulting exchange differences are taken directly to other comprehensive income through foreign currency translation reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvi) Foreign Currencies (Contd.)

(c) Foreign Operations (Contd.)

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

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

	31.12.2014	31.12.2013
Singapore Dollar	2.65	2.59
Brunei Dollar	2.65	2.59

(xxvii) Income Tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(xxvii) Income Tax (Contd.)

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.

2.3 Changes in Accounting Policies

At the beginning of the current financial year, the Company adopted all new and revised MFRSs, Amendments to MFRS and IC Interpretations effective for annual periods beginning on or after 1 January 2014 and the adoption of these MFRSs, Amendments to MFRS and IC Interpretations did not result in any significant impact other than as follows:

(i) MFRS 132 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and retrospective application is required. These amendments have no impact on the Company, since the Company has no offsetting arrangements.

(ii) MFRS 136 *Impairment of Assets* - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)

The amendments require the disclosure of recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period and retrospective application is required.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

Description	**Effective for annual periods beginning on or**
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 10 *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment to MFRS 10)	1 January 2016
MFRS 10 *Consolidated Financial Statements* - Investment Entities: Applying the Consolidation Exception (Amendment to MFRS 10)	1 January 2016
MFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendment to MFRS 11)	1 January 2016
MFRS 12 *Disclosure of Interest in Other Entities* - Investment Entities: Applying the Consolidation Exception (Amendment to MFRS 12)	1 January 2016
MFRS 101 *Presentation of Financial Statements* - Disclosure Iniatiative (Amendment to MFRS 101)	1 January 2016
MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment to MFRS 116)	1 January 2016
MFRS 128 *Investment in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment to MFRS 128)	1 January 2016
MFRS 128 *Investment in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendment to MFRS 128)	1 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

Description	Effective for annual periods beginning on or
MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment to MFRS 138)	1 January 2016
Annual Improvements to MFRS 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRS 2011 - 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016

MFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarized below:

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. The Company are in the process of assessing the financial implications for adopting the new standard.

(i) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 9 *Financial Instruments* (Contd.)

(i) Classification and measurement (Contd.)

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;

- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- A new asset category for non-traded equity investments measured at FVOCI is introduced; and

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, and may have no impact on the classification and measurement of the Company's financial liabilities.

(ii) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Company will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. MFRS 9 will change the Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 9 *Financial Instruments* (Contd.)

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The Company are in the process of assessing the financial implications for adopting the new standard.

MFRS 101 *Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101)*

The amendments are a part of a major initiative to improve disclosure requirements in MFRS financial statements. These amendments include narrow-focus improvements in five areas as follows:

(i) Materiality

The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It also reemphasises that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted.

(ii) Disaggregation and subtotals

The amendments clarify that specific line items in the statements of profit or loss and other comprehensive income and statement of financial position may be disaggregated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 101 *Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101)* (Contd.)

(ii) Disaggregation and subtotals (Contd.)

It also introduces requirements for how an entity should present additional subtotals (in addition to those already required in MFRS) in the statements of profit or loss and other comprehensive income and statement of financial position, where the additional subtotals must:

- be comprised of line items made up of amounts recognised and measured in accordance with MFRS;
- be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
- be consistent from period to period; and
- not be displayed with more prominence than the subtotals and totals currently required in MFRS for the statement of financial position or statements of profit or loss and other comprehensive income.

For additional subtotals presented in the statements of profit or loss and other comprehensive income, an entity must presents the line items that reconcile any such subtotals with the subtotals or totals currently required in MFRS for such statements.

(iii) Notes structure

The amendments clarify that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasise that understandability and comparability should be considered when deciding on that order.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 101 *Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101)* (Contd.)

(iii) Notes structure (Contd.)

Examples of systematic ordering or groupings of the notes include:

- Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position;
- Grouping together information about items measured similarly, such as assets measured at fair value; or
- Following the order of the line items in statements of profit or loss and other comprehensive income and statement of financial position, similar to the order listed in current paragraph 114 of MFRS 101.

(iv) Disclosure of accounting policies

The amendments remove the examples of significant accounting policies in the current paragraph 20 of MFRS 101, i.e. the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be.

(v) Presentation of items of Other Comprehensive Income ("OCI") arising from equity accounted investments.

The amendments clarify that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to income statements.

The amendments are applicable for annual periods beginning on or after 1 January 2016, with early application is permitted. The Company do not anticipate significant impact to the financial statements upon adoption of the amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116) and MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)

The amendments clarify the principle in MFRS 116 and MFRS 138 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Company do not anticipate any impact to the financial statements upon adoption of the amendments as the Company have not used a revenue-based method to depreciate the non-current assets.

Annual Improvements to MFRS

(a) The following amendments are effective for annual periods beginning on or after 1 July 2014 with earlier application is permitted:

<u>Annual Improvements to MFRS 2010 - 2012 Cycle</u>

(i) MFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

Annual Improvements to MFRS (Contd.)

(a) The following amendments are effective for annual periods beginning on or after 1 July 2014 with earlier application is permitted: (Contd.)

Annual Improvements to MFRS 2010 - 2012 Cycle (Contd.)

(ii) MFRS 3 *Business Combinations*

The amendment to MFRS 3 is applied prospectively and it clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 *Financial Instruments: Presentation*. The amendment also clarifies that contingent consideration that is classified as an asset or a liability should be subsequently measured at fair value through profit or loss at each reporting date (whether or not they fall within the scope of MFRS 9 or MFRS 139, as applicable) and changes in fair value should be recognised in the income statements.

The amendment is effective for business combination for which the acquisition date is on or after 1 July 2014.

(iii) MFRS 13 *Fair Value Measurement*

The amendment relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS/MFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(iv) MFRS 116 *Property, Plant and Equipment* and MFRS 138 *Intangible Assets*

The amendments are applied retrospectively and clarify that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(a) The following amendments are effective for annual periods beginning on or after 1 July 2014 with earlier application is permitted: (Contd.)

Annual Improvements to MFRS 2010 - 2012 Cycle (Contd.)

(v) MFRS 124 *Related Party Disclosures*

The amendment to MFRS 124 is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party and subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to MFRS 2011 - 2013 Cycle

(i) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

The amendment relates to the MASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(ii) MFRS 3 *Business Combinations*

The amendment to MFRS 3 is applied prospectively and clarifies for the scope exceptions within MFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of MFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(a) The following amendments are effective for annual periods beginning on or after 1 July 2014 with earlier application is permitted: (Contd.)

<u>Annual Improvements to MFRS 2011 - 2013 Cycle (Contd.)</u>

(iii) MFRS 13 *Fair Value Measurement*

The amendment to MFRS 13 is applied prospectively and it clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation*.

(iv) MFRS 140 *Investment Property*

The amendment to MFRS 140 is applied prospectively and it clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

<u>Annual Improvements to MFRSs 2012–2014 Cycle</u>

(i) MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

The amendment to MFRS 5 is applied prospectively and it clarifies that changing of disposal methods from held for sale to distribution to owners or vice versa should not be considered as a new plan of disposal, rather it is a contnuation of the original plan. It also clarifies that changing of the disposal method does not change the date of classification which means the sale or distribution to owner must be completed within one year from the original date of classification.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(a) The following amendments are effective for annual periods beginning on or after 1 July 2014 with earlier application is permitted: (Contd.)

<u>Annual Improvements to MFRSs 2012–2014 Cycle (Contd.)</u>

(ii) MFRS 7 *Financial Instruments: Disclosures*

<u>Servicing Contracts</u>

An entity is required to provide disclosures for any continuing involvement in a trasferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whther the disclosures are required. The amendment is applied retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

<u>Applicability of the amendments to MFRS 7 to condensed interim financial statements</u>

The amendment is applied retrospectively and it removes the phrase "and interim periods within those annual periods" from paragraph 44R, clarifying that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

(iii) MFRS 134 *Interim Financial Reporting*

The amendment to MFRS 134 is applied retrospectively and it clarifies the meaning of 'elsewhere in the interim financial report'. It states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

The Company do not expect that the amendments on the annual improvements for the above standards will have significant financial implications in future financial

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

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

(i) Classification between Investment Properties and Property, Plant and Equipment

The Company has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies to be classified as an investment property. Investment properties are properties held to earn rental income or for capital appreciation or both.

Some properties comprise a portion that is held to earn rental income or for capital appreciation and another portion that is held for use in the production or supply of good or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(ii) Impairment of AFS Financial Assets

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

(a) Critical Judgements Made in Applying Accounting Policies (Contd.)

(iii) Impairment of Receivables

The Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Insurers (BNM/RH/STD032-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the receivables that are individually assessed for impairment is past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the receivables and default or significant delays in payments.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of Property, Plant and Equipment

The cost of a building's plant and equipment for example, elevators, lifts and others and the self-occupied properties are depreciated on a straight line basis over the estimated remaining useful lives. The Company estimates the useful lives of these plant and equipment to be within 5 to 10 years.

The cost of self-occupied buildings are depreciated on a straight-line basis. The Company estimates the useful lives to be 50 years for freehold buildings or the earlier of 50 years or the lease period for leasehold buildings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(ii) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent valuers who hold a recognised and relevant professional qualification and recent experience in the locations and category of the properties being valued.

(iii) Amortisation and Impairment of Other Intangible Assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each reporting date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

(iv) Uncertainty in Accounting Estimates

General insurance business

The principal uncertainties in the valuation of liabilities of general insurance business primarily arise from its claim liabilities and its premium liabilities, specifically, in relation to URR.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Uncertainty in Accounting Estimates (Contd.)

In general, the valuation of claim liabilities and URR is performed to include IBNR claims which have yet to be reported to the Company and to cover the future losses that may arise as included in the URR. The valuation of these liabilities are premised on the fact that IBNR and future losses can be estimated based on historical experience including past experience with similar cases, historical claim development trends, trends in respect of legislative changes and judicial decisions as well as developments in economic conditions and claims handling procedures. These are all considered by a qualified actuary in developing an estimate of the claim and premium liabilities.

However, any estimation process is inherently uncertain and the only certainty is that actual claim and premium liabilities will not develop exactly as projected and may vary from the estimated liabilities. This is mitigated to some extent through the inclusion of the PRAD.

In addition, the sensitivities of the claim liabilities (and indirectly, the premium liabilities) is assessed by the management of the Company regularly in accordance with Guidelines issued by BNM. Details of sensitivity analyses performed is also disclosed in Note 43 (B) of the financial statements.

The Company is of the view that the general insurance liabilities as at the reporting date are reasonably adequate and the estimation uncertainties have been duly mitigated via adherence to the methods prescribed in the RBC Frameworks and the sensitivity analyses performed.

<u>Life insurance business</u>

The estimation of life insurance liabilities are aimed at determining the liabilities arising from policies in force at the reporting date and are determined in accordance with the RBC Frameworks as issued by BNM. The valuation of life insurance liabilities are based on an actuarial model which utilises certain key assumptions relating to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates, adjusted when appropriate to reflect the Company's unique risk exposure, in order to determine the basis of future policies benefits payable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgments (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Uncertainty in Accounting Estimates (Contd.)

Whilst these estimates are reassessed in terms of relevance and adequacy at each reporting data and the changes are reflected as adjustments to the life insurance liabilities, it is certain that actual mortality, morbidity and longevity (amongst others) will vary from the estimates used for each policyholder.

Similar to general insurance, this uncertainty is mitigated to some extent through the inclusion of the PRAD as well as sensitivity analyses performed by management of the Company, details of which are presented in Note 43 (A) to the financial statements.

Accordingly, the Company is of the view that the life insurance liabilities as at the reporting date are reasonably adequate and the estimation uncertainties have been duly mitigated via adherence to the methods prescribed in the RBC Frameworks and the sensitivity analyses performed.

(v) Deferred taxation

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the date of the statement of financial position. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the year in which actual realisation and settlement occurs.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT

	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
31.12.2014							
Cost							
At 1 January 2014	121,830	50,274	7,211	29,203	812	574	209,904
Additions	-	5,112	2,287	5,464	-	1,324	14,187
Disposals	-	(669)	(12)	-	-	-	(681)
Write off	-	(2,010)	(116)	-	-	-	(2,126)
Reclassified to intangible assets (Note 6)	-	-	-	-	-	(824)	(824)
Reclassification	-	(1,008)	357	400	-	251	-
Attributable to disposal group held for sale (Note 16)	(3,266)	(1,092)	(1,354)	-	(401)	-	(6,113)
Translation differences	62	47	21	-	8	-	138
At 31 December 2014	118,626	50,654	8,394	35,067	419	1,325	214,485
Accumulated Depreciation and Impairment Losses							
At 1 January 2014	36,333	35,638	3,903	20,317	779	-	96,970
- Accumulated depreciation	34,322	35,638	3,903	20,317	779	-	94,959
- Accumulated allowance for impairment losses	2,011	-	-	-	-	-	2,011
Depreciation charge for the year	2,249	5,902	2,145	1,259	33	-	11,588
Disposals	-	(648)	(6)	-	-	-	(654)
Write off	-	(1,982)	(114)	-	-	-	(2,096)
Attributable to disposal group held for sale (Note 16)	(2,515)	(225)	(755)	-	(402)	-	(3,897)
Translation differences	48	52	15	-	9	-	124
At 31 December 2014	36,115	38,737	5,188	21,576	419	-	102,035
- Accumulated depreciation	34,104	38,737	5,188	21,576	419	-	100,024
- Accumulated allowance for impairment losses	2,011	-	-	-	-	-	2,011
Net Book Value at 31 December 2014	82,511	11,917	3,206	13,491	-	1,325	112,450

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	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
31.12.2013							
Cost							
At 1 January 2013	121,715	45,552	3,056	22,612	798	2,712	196,445
Additions	-	5,341	1,606	4,130	-	574	11,651
Disposals	-	(740)	(1)	-	-	(65)	(806)
Reclassified from intangible assets (Note 6)	-	-	2,441	-	-	-	2,441
Reclassification	-	33	153	2,461	-	(2,647)	-
Translation differences	115	88	(44)	-	14	-	173
At 31 December 2013	121,830	50,274	7,211	29,203	812	574	209,904
Accumulated Depreciation and Impairment Losses							
At 1 January 2013	33,804	29,696	1,847	19,363	648	-	85,358
- Accumulated depreciation	31,851	29,696	1,847	19,363	648	-	83,405
- Accumulated allowance for impairment losses	1,953	-	-	-	-	-	1,953
Depreciation charge for the year	2,385	6,001	2,107	954	119	-	11,566
Allowance for impairment loss	58	-	-	-	-	-	58
Disposals	-	(140)	-	-	-	-	(140)
Reclassification	-	(2)	2	-	-	-	-
Translation differences	86	83	(53)	-	12	-	128
At 31 December 2013	36,333	35,638	3,903	20,317	779	-	96,970
- Accumulated depreciation	34,322	35,638	3,903	20,317	779	-	94,959
- Accumulated allowance for impairment losses	2,011	-	-	-	-	-	2,011
Net Book Value at 31 December 2013	85,497	14,636	3,308	8,886	33	574	112,934

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
31.12.2014				
Cost				
At 1 January 2014	3,620	8,010	110,200	121,830
Attributable to disposal group held for sale (Note 16)	-	-	(3,266)	(3,266)
Translation differences	-	-	62	62
At 31 December 2014	3,620	8,010	106,996	118,626
Accumulated Depreciation and Impairment Losses				
At 1 January 2014	55	5,442	30,836	36,333
- Accumulated depreciation	-	3,486	30,836	34,322
- Accumulated allowance for impairment losses	55	1,956	-	2,011
Depreciation charge for the year	-	45	2,204	2,249
Attributable to disposal group held for sale (Note 16)	-	-	(2,515)	(2,515)
Translation differences	-	-	48	48
At 31 December 2014	55	5,487	30,573	36,115
- Accumulated depreciation	-	3,531	30,573	34,104
- Accumulated allowance for impairment losses	55	1,956	-	2,011
Net Book Value at 31 December 2014	3,565	2,523	76,423	82,511

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
31.12.2013				
Cost				
At 1 January 2013	3,620	8,010	110,085	121,715
Translation differences	-	-	115	115
At 31 December 2013	3,620	8,010	110,200	121,830
Accumulated Depreciation and Impairment Losses				
At 1 January 2013	-	5,256	28,548	33,804
- Accumulated depreciation	-	3,303	28,548	31,851
- Accumulated allowance for impairment losses	-	1,953	-	1,953
Depreciation charge for the year	-	183	2,202	2,385
Allowance for impairment loss	55	3	-	58
Translation differences	-	-	86	86
At 31 December 2013	55	5,442	30,836	36,333
- Accumulated depreciation	-	3,486	30,836	34,322
- Accumulated allowance for impairment losses	55	1,956	-	2,011
Net Book Value at 31 December 2013	3,565	2,568	79,364	85,497

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Investment property under construction ("IPUC")	Total
	<------- At valuation	-------->	At cost	
	RM'000	RM'000	RM'000	RM'000
31.12.2014				
At 1 January 2014	412,864	153,630	8,042	574,536
Addition	-	-	12,503	12,503
Fair value adjustment	-	(110)	-	(110)
At 31 December 2014	412,864	153,520	20,545	586,929
31.12.2013				
At 1 January 2013	418,753	144,951	6,000	569,704
Addition	-	-	2,042	2,042
Fair value adjustment	(5,889)	8,679	-	2,790
At 31 December 2013	412,864	153,630	8,042	574,536

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

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2(ii) which has been determined based on valuation that reflects market conditions at the end of the reporting period. The fair value of investment properties are categorised under Level 2 of the fair value hierarchy. Valuations were performed by an accredited independent valuer. The valuations were mainly based on the market approach that makes reference to comparable properties which have been sold or are being offered for sale.

The IPUC as at 31 December 2014 is stated at cost less impairment as the fair value is not reliably determinable.

5. PREPAID LAND LEASE PAYMENTS

	31.12.2014 RM'000	31.12.2013 RM'000
Cost		
At 1 January/31 December	24,018	24,018
Accumulated amortisation and impairment losses		
At 1 January	4,144	3,677
- Accumulated amortisation	3,967	3,664
- Accumulated allowance for impairment losses	177	13
Amortisation charge for the year	303	303
Allowance for impairment loss	-	164
At 31 December	4,447	4,144
- Accumulated amortisation	4,270	3,967
- Accumulated allowance for impairment losses	177	177
Net book value at 31 December	19,571	19,874

6. INTANGIBLE ASSETS

	Computer Software RM'000	Software Development RM'000	Total RM'000
31.12.2014			
Cost			
At 1 January 2014	48,518	-	48,518
Additions	22,383	-	22,383
Transfer out to related party	(3,847)	-	(3,847)
Reclassified from property, plant and equipment (Note 3)	824	-	824
Attributable to disposal group held for sale (Note 16)	(1,479)	-	(1,479)
Translation differences	22	-	22
At 31 December 2014	66,421	-	66,421
Accumulated Amortisation			
At 1 January 2014	25,399	-	25,399
Amortisation charge for the year	13,507	-	13,507
Transfer out to related party	(1,499)	-	(1,499)
Attributable to disposal group held for sale (Note 16)	(1,056)	-	(1,056)
Translation differences	21	-	21
At 31 December 2014	36,372	-	36,372
Net book value at 31 December 2014	30,049	-	30,049

6. INTANGIBLE ASSETS (CONTD.)

	Computer Software RM'000	Software Development RM'000	Total RM'000
31.12.2013			
Cost			
At 1 January 2013	38,738	1,028	39,766
Additions	11,468	-	11,468
Write off	-	(310)	(310)
Reclassified to property, plant and equipment (Note 3)	(1,723)	(718)	(2,441)
Translation differences	35	-	35
At 31 December 2013	48,518	-	48,518
Accumulated Amortisation			
At 1 January 2013	13,939	-	13,939
Amortisation for the year	11,428	-	11,428
Translation differences	32	-	32
At 31 December 2013	25,399	-	25,399
Net book value at 31 December 2013	23,119	-	23,119

7. INVESTMENT IN SUBSIDIARY

	31.12.2014	31.12.2013
Unquoted shares, at cost	RM1	RM1
No. of shares	1	1

Name of company	Principal activity	Effective interest (%) 31.12.2014	Effective interest (%) 31.12.2013
Double Care Sdn Bhd ("DCSB") (Incorporated in Malaysia)	Dormant (in member's voluntary winding-up)	100.00	100.00

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

8. INVESTMENT IN ASSOCIATE

	31.12.2014 RM'000	31.12.2013 RM'000
Unquoted shares, at cost	152	152

Name of company	Principal activity	Effective interest (%) 31.12.2014	Effective interest (%) 31.12.2013
Asian Forum Inc. (Incorporated in Federal Territory of Labuan, Malaysia)	Offshore captive insurance	33.33	33.33

As permitted under MFRS128 Investments in Associates, the investment in associate has not been accounted by applying the equity method as the holding company, Maybank Ageas Holdings Berhad ("MAHB") produces financial statements that comply with MFRS.

9. INVESTMENTS

	31.12.2014 RM'000	31.12.2013 RM'000
Malaysian government papers	392,292	566,230
Singapore government securities	-	38,211
Debt securities	8,072,715	7,672,726
Equity securities	2,081,216	1,909,300
Unit and property trust funds	69,781	238,959
Irredeemable loan stock	-	10,548
Structured products (Note 10)	898,172	945,076
Negotiable certificates of deposit ("NCD")	210,703	253,546
Deposits with financial institutions	894,483	1,317,115
	12,619,362	12,951,711

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

	31.12.2014 RM'000	31.12.2013 RM'000
Available-for-sale ("AFS")	2,847,883	3,173,701
Fair value through profit and loss ("FVTPL")		
- designated upon initial recognition	7,209,993	7,001,043
- held for trading ("HFT")	1,667,003	1,459,852
Loans and receivables ("LAR")	894,483	1,317,115
	12,619,362	12,951,711

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

	31.12.2014 RM'000	31.12.2013 RM'000
AFS	1,305,553	1,372,306
FVTPL		
- designated upon initial recognition	6,501,721	6,550,600
- HFT	832,596	909,306
	8,639,870	8,832,212

9. INVESTMENTS (CONTD.)

	31.12.2014 RM'000	31.12.2013 RM'000
(a) AFS		
Fair value		
Malaysian government papers	95,915	128,220
Singapore government securities	-	38,211
Debt securities:		
Quoted outside Malaysia	-	58,356
Unquoted in Malaysia	1,220,436	1,146,629
Unquoted outside Malaysia	-	25,314
Equity securities:		
Quoted in Malaysia	1,304,140	1,292,111
Quoted outside Malaysia	10,904	21,034
Unit and property trust funds:		
Quoted in Malaysia	54,819	75,720
Quoted outside Malaysia	-	145,226
Irredeemable loan stock	-	10,548
Structured products (Note 10)	59,418	99,785
Negotiable certificates of deposit	-	30,296
	2,745,632	3,071,450
Cost		
Equity securities:		
Unquoted in Malaysia		
Cost	105,032	105,032
Less: Allowance for impairment losses	(2,781)	(2,781)
	102,251	102,251
Total AFS financial assets	2,847,883	3,173,701

	31.12.2014 RM'000	31.12.2013 RM'000
(b) FVTPL		
(i) Designated upon initial recognition		
Fair value		
Malaysian government papers	231,195	371,683
Debt securities:		
Unquoted in Malaysia	6,349,461	6,104,138
Unquoted outside Malaysia	149,389	46,355
Structured products (Note 10)	269,245	270,747
Negotiable certificates of deposit	210,703	208,120
	7,209,993	7,001,043

9. INVESTMENTS (CONTD.)

	31.12.2014 RM'000	31.12.2013 RM'000
(b) FVTPL (Contd.)		
(ii) HFT		
Fair value		
Malaysian government papers	65,182	66,327
Debt securities:		
Unquoted in Malaysia	353,429	291,934
Equity securities		
Quoted in Malaysia	663,921	493,904
Unit and property trust funds:		
Quoted in Malaysia	1,434	796
Quoted outside Malaysia	13,528	17,217
Structured products (Note 10)	569,509	574,544
Negotiable certificates of deposit	-	15,130
	1,667,003	1,459,852
Total FVTPL financial assets	8,876,996	8,460,895
(c) LAR		
Fixed and call deposits with:		
Licensed banks	893,197	1,275,003
Other financial institutions	1,286	42,112
Total LAR financial assets	894,483	1,317,115
	12,619,362	12,951,711

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

Included in the LAR are assets pledged to obtain a banking facility from MBB which amounted to RM35,000,000 (31.12.2013: RM45,760,000).

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 45(a) to the financial statements.

10. STRUCTURED PRODUCTS

Structured products of the Company are classified as either FVTPL or AFS. For structured products classified as AFS, the derivative embedded in the product is bifurcated from the host contract in line with the requirements of MFRS 139 *Financial Instruments: Recognition and Measurement*. Bifurcated derivatives are classified as FVTPL and changes in their fair value are recognised in profit or loss.

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:

	<------- 31.12.2014 -------->		<-------- 31.12.2013 ------->	
	Principal/ Notional Amount RM'000	**Net Carrying Amount RM'000**	**Principal/ Notional Amount RM'000**	**Net Carrying Amount RM'000**
Financial assets designated at FVTPL				
Structured deposits	470,700	452,734	475,000	460,368
Credit-linked notes	410,780	388,230	423,700	386,954
Index linked note	33,663	3,972	33,663	4,755
Bifurcated derivative relating to structured deposits of Shareholder's/General Fund *		(6,182)		(6,786)
		838,754		845,291
AFS financial assets				
Structured deposits *:				
Host contract	55,000	59,418	95,000	99,785
		59,418		99,785
Total structured products		898,172		945,076

* The notional amount of structured deposits categorised as AFS represents the notional amount of the product as a whole and accordingly, segregation between the host contract and the embedded derivative is not appropriate.

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

11. FINANCING RECEIVABLES

	31.12.2014 RM'000	31.12.2013 RM'000
Policy/automatic premium loans	227,357	229,183
Staff loans:		
Secured	36,262	35,675
Unsecured	12	47
Non staff loans	11,518	12,698
	275,149	277,603
Interest in suspense	(8,333)	(7,688)
Allowance for impairment losses (Note 44 (i))	(2,385)	(2,784)
	264,431	267,131
Receivable after 12 months	35,959	34,871

The above balances are interest bearing. The carrying amounts approximate fair value as the effect of discounting is not material.

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

	31.12.2014	31.12.2013
Policy/automatic premium loans	8.00%	8.00%
Staff loans	3.08%	3.14%
Non-staff loans	6.77%	6.53%

12. REINSURANCE ASSETS

	31.12.2014 RM'000	31.12.2013 RM'000
Reinsurers' share of:		
- Life insurance contract liabilities (Note 19)	25,866	27,649
- General insurance contract liabilities (Note 19)	4,072,031	1,683,790
	4,097,897	1,711,439
Allowance for impairment losses (Note 44 (i))	(1,189)	(36)
	4,096,708	1,711,403

13. INSURANCE RECEIVABLES

	31.12.2014 RM'000	31.12.2013 RM'000
Due premiums including agents/brokers and co-insurers balances	277,127	173,435
Due from reinsurers and cedants	89,789	56,503
	366,916	229,938
Allowance for impairment losses (Note 44 (i))	(25,145)	(31,475)
	341,771	198,463

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13. INSURANCE RECEIVABLES (CONTD.)

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

Included in due premiums including agents/brokers and co-insurers balances are balances due from related parties amounted to RM14,156,463 (31.12.2013: RM11,019,141). The amounts receivable are subject to settlement terms stipulated in the insurance contracts.

14. OTHER RECEIVABLES

	31.12.2014 RM'000	31.12.2013 RM'000
Amount due from stockbrokers	123,587	25,165
Share of net assets in Motor Insurance Pool ("MMIP")	35,533	33,171
MMIP cash call	27,348	17,989
Sundry receivables, deposits and prepayments	9,252	15,923
Allowance for impairment losses (Note 44 (i))	(227)	(372)
	9,025	15,551
Income due and accrued	137,994	133,782
Allowance for impairment losses (Note 44 (i))	(179)	(177)
	137,815	133,605
Amount due from related companies* :		
- Ultimate holding company	-	1,694
- Other related companies	3,533	3,399
	3,533	5,093
	336,841	230,574

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

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

Included in sundry receivables, deposits and prepayments and income due and accrued are balances due from related parties amounted to RM1,983,482 and RM7,149,046 (31.12.2013: RM52,706 and RM7,684,267) respectively.

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.

	<----- 31.12.2014			----->	<----- 31.12.2013			----->
	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)	Net Carrying Amount RM'000 (A) - (B)	Principal/ Notional Amount RM'000	Asset RM'000 (A)	Liability RM'000 (B)	Net Carrying Amount RM'000 (A) - (B)
Hedging derivatives:								
Forward foreign exchange contract	10,091	-	696	(696)	55,866	4	304	(300)
Cross Currency Swap	138,251	-	14,438	(14,438)	65,526	20	2,747	(2,727)
		-	15,134	(15,134)		24	3,051	(3,027)
Non-hedging derivatives:								
Non-current								
Commodity Option		-	-	-	220,929	4	-	4
Equity Options	366,077	12,646	-	12,646	370,577	13,250	-	13,250
		12,646	-	12,646		13,254	-	13,254
Total derivatives		12,646	15,134	(2,488)		13,278	3,051	10,227

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 45(a) to the financial statements.

15. DERIVATIVES (CONTD.)

For hedging derivatives:

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments. The Company enters into forward currency 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 rate, foreign currency rate or equity indices. The Company uses swap contracts to hedge the principal amounts invested in Structured Notes denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

For Non-hedging derivatives:

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Company purchases options that provide the Company with the opportunity to purchase (call options) the underlying asset at an agreed-upon value on the expiration of the options. The Company is exposed to credit risk on purchased options only to the extent of their carrying amounts, which is their fair value. The Company uses options in the product structuring for investment linked products as a strategy to enhance the returns of the products.

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 27 August 2013, BNM has approved the proposed transfer of the Company's Singapore Branch's general insurance business to its related party, Etiqa Insurance Pte. Ltd. ("EIPL"). On 17 October 2014, Monetary Authority of Singapore ("MAS") has approved the proposed transfer under Section 49FB of the Insurance Act (Cap 142) from the Company to EIPL. On 27 January 2015, the High Court of Singapore has approved the Scheme of Transfer ("SOT") which will take effect on 1 April 2015. Upon completion of the SOT, the Company will surrender it's Singapore Branch licence.

Statement of financial position disclosures

The major classes of assets and liabilities of the general insurance business classified as held for sale as at 31 December 2014 are as follows:

	Note	2014 RM'000
Assets:		
Property, plant and equipment	3	2,216
Intangible assets	6	423
Investments		269,146
Reinsurance assets	19	37,732
- Reinsurers' share of claims liabilities		16,507
- Reinsurers' share of premium liabilities		21,225
Insurance receivables		31,893
Other receivables		24,687
Cash and bank balances		25,152
Assets classified as held for sale		391,249
Liabilities:		
Insurance contract liabilities	19	229,498
- Claims liabilities		138,924
- Premium liabilities		90,574
Insurance payables		5,455
Other payables		24,260
Current tax liabilities		1,385
Liabilities directly associated with assets classified as held for sale		260,598
Net assets directly associated with assets classified as held for sale		130,651

No impairment losses was recognised in respect of the Company's Singapore Branch's general insurance business.

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

Statement of financial position disclosures (Contd.)

	Note	2014 RM'000
Fair value measurement:		
Assets		
Assets measured at fair value		269,146
Assets measured at cost/amortised cost		122,103
		391,249
Liabilities		
Liabilities measured at cost/amortised cost		260,598

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

Income statement disclosures

The results of the general insurance business of the Singapore Branch for the year ended 31 December are as follows:

	Note	2014 RM'000	2013 RM'000
Gross earned premiums			
Gross premium		131,226	102,588
Gross change in premium liabilities		(26,785)	(11,827)
Gross earned premiums	25(a)	104,441	90,761
Earned premiums ceded to reinsurers			
Premiums ceded to reinsurers		(34,487)	(15,276)
Change in premiums ceded to reinsurers		13,542	2,057
Earned premiums ceded to reinsurers	25(b)	(20,945)	(13,219)
Net earned premiums		83,496	77,542
Fee and commission income	26	5,972	6,737
Investment income	27	5,487	4,392
Realised gains	28	(835)	2,452
Other operating (expenses)/income, net	30	(577)	(627)
Other revenue		10,047	12,954
Gross benefits and claims paid	31(a)	(48,563)	(59,088)
Claims ceded to reinsurers	31(b)	4,611	7,152
Gross change in contract liabilities	31(c)	2,502	9,832
Change in contract liabilities ceded to reinsurers	31(d)	5,302	(3,444)
Net benefits and claims		(36,148)	(45,548)
Management expenses	32	(21,944)	(20,566)
Fee and commission expenses	34	(22,042)	(17,065)
Other expenses		(43,986)	(37,631)
Profit before taxation		13,409	7,317
Taxation	35	(1,414)	-
Net profit for the year		11,995	7,317

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

Other comprehensive income disclosures

	2014 RM'000	2013 RM'000
Items that may be subsequently reclassified to income statement		
Change in value of AFS financial assets, net		
- Fair value changes	(1,049)	(3,317)
- Transfer to profit or loss upon disposal	806	(2,452)
Tax effect relating to AFS financial assets	-	-
	(243)	(5,769)
Currency translation differences	6,527	11,241
Other comprehensive income from disposal group for the year, net of tax	6,284	5,472
Total comprehensive income from disposal group for the year, net of tax	18,279	12,789

Statement of cash flows disclosures

The cash flows attributable to the general insurance business of the Singapore Branch are as follows:

	2014 RM'000	2013 RM'000
Cash flows from:		
Operating activities	58,672	9,292
Investing activities	(49,006)	(8,004)
Net cash inflows/(outflows)	9,666	1,288

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17. SHARE CAPITAL

	<---- Number of shares ---->		<----------- Amount ----------->	
	31.12.2014 Units '000	31.12.2013 Units '000	31.12.2014 RM'000	31.12.2013 RM'000
Authorised:				
Ordinary shares of RM1.00 each				
At 1 January and 31 December	500,000	500,000	500,000	500,000
Issued and Paid-up:				
Ordinary shares of RM1.00 each				
At 1 January and 31 December	152,151	152,151	152,151	152,151

18. RESERVES

	31.12.2014 RM'000	31.12.2013 RM'000
Non-distributable:		
Share premium	17,728	17,728
AFS reserve	(1,876)	71,602
Other reserves:		
Revaluation reserve	11,647	11,647
Currency translation reserve	32,450	25,150
	44,097	36,797
Retained earnings:		
Distributable retained profits	1,162,021	1,022,370
Non-distributable non-par fund surplus	1,404,524	1,188,727
	2,566,545	2,211,097
Total reserves	2,626,494	2,337,224

18. RESERVES (CONTD.)

(i) The share premium reserve relates to amounts paid by shareholders for shares in excess of their nominal value.

(ii) The AFS reserve arose from the changes in the fair value of the investment assets of the shareholder and non-Par fund.

(iii) The 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 that of the Company's presentation currency.

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

(v) Non-distributable retained earnings represent the unallocated surplus from the non-Par fund. In accordance with Financial Services Act 2013, the unallocated surplus of non-Par fund is only available for distribution to the shareholder upon approval by the Appointed Actuary.

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

19. INSURANCE CONTRACT LIABILITIES

	31.12.2014			31.12.2013			1.1.2013		
	Gross RM'000	Reinsurance RM'000 (Note 12)	Net RM'000	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated) (Note 12)	Net RM'000 (Restated)	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated)	Net RM'000 (Restated)
Life insurance (Note A)	9,479,120	(25,866)	9,453,254	9,737,090	(27,649)	9,709,441	10,121,534	(33,813)	10,087,721
General insurance (Note B)	4,746,845	(4,072,031)	674,814	2,530,563	(1,683,790)	846,773	2,504,098	(1,656,763)	847,335
	14,225,965	(4,097,897)	10,128,068	12,267,653	(1,711,439)	10,556,214	12,625,632	(1,690,576)	10,935,056

(A) Life Insurance

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

(i) Life insurance contract liabilities

	31.12.2014			31.12.2013			1.1.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated)	Net RM'000 (Restated)	Gross RM'000 (Restated)	Reinsurance RM'000 (Restated)	Net RM'000 (Restated)
Claims liabilities	49,932	(3,330)	46,602	41,891	(1,600)	40,291	47,219	(2,698)	44,521
Actuarial liabilities	6,705,495	(22,536)	6,682,959	7,290,787	(26,049)	7,264,738	8,147,978	(31,115)	8,116,863
Participating fund unallocated surplus	797,736	-	797,736	605,418	-	605,418	441,204	-	441,204
Participating fund AFS reserve	61,633	-	61,633	151,474	-	151,474	130,367	-	130,367
NAV attributable to unitholders	1,864,324	-	1,864,324	1,647,520	-	1,647,520	1,354,766	-	1,354,766
	9,479,120	(25,866)	9,453,254	9,737,090	(27,649)	9,709,441	10,121,534	(33,813)	10,087,721

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
31.12.2014								
As at 1 January 2014	41,891	7,290,787	605,418	151,474	1,647,520	9,737,090	(27,649)	9,709,441
Net earned premiums	-	-	320,147	-	439,838	759,985	-	759,985
Other revenue	-	-	360,751	-	48,595	409,346	-	409,346
Net benefits and claims	8,041	-	(866,237)	-	(267,468)	(1,125,664)	(1,731)	(1,127,395)
Other expenses	-	-	(55,075)	-	(71)	(55,146)	-	(55,146)
Change in reserve:								
- Discounting	-	8,168	(1,846)	-	-	6,322	(26)	6,296
- Assumptions	-	(16,518)	18,122	-	-	1,604	-	1,604
- Policy movements	-	(576,942)	450,614	-	-	(126,328)	3,540	(122,788)
Changes in AFS reserve	-	-	-	(96,296)	-	(96,296)	-	(96,296)
Taxation	-	-	(24,766)	6,455	(4,090)	(22,401)	-	(22,401)
Participating fund surplus transferred to shareholder	-	-	(9,392)	-	-	(9,392)	-	(9,392)
As at 31 December 2014	49,932	6,705,495	797,736	61,633	1,864,324	9,479,120	(25,866)	9,453,254

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

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

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
31.12.2013								
As at 1 January 2013	47,219	8,147,978	441,204	130,367	1,354,766	10,121,534	(33,813)	10,087,721
Net earned premiums	-	-	309,090	-	342,186	651,276	-	651,276
Other revenue	-	-	225,774	-	122,897	348,671	-	348,671
Net benefits and claims	(5,328)	-	(540,963)	-	(162,599)	(708,890)	1,100	(707,790)
Other expenses	-	-	(74,323)	-	(39)	(74,362)	-	(74,362)
Change in reserve:								
- Discounting	-	(274,670)	164,236	-	-	(110,434)	831	(109,603)
- Assumptions	-	14,352	8,919	-	-	23,271	-	23,271
- Policy movements	-	(596,873)	88,537	-	-	(508,336)	4,233	(504,103)
Changes in AFS reserve	-	-	-	22,840	-	22,840	-	22,840
Taxation	-	-	(8,501)	(1,733)	(9,691)	(19,925)	-	(19,925)
Participating fund surplus transferred to shareholder	-	-	(8,555)	-	-	(8,555)	-	(8,555)
As at 31 December 2013	41,891	7,290,787	605,418	151,474	1,647,520	9,737,090	(27,649)	9,709,441

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance

	31.12.2014 Gross RM'000	31.12.2014 Reinsurance RM'000	31.12.2014 Net RM'000	31.12.2013 Gross RM'000	31.12.2013 Reinsurance RM'000	31.12.2013 Net RM'000
Claims liabilities (i)	4,097,449	(3,692,775)	404,674	1,926,013	(1,402,365)	523,648
Premium liabilities (ii)	649,396	(379,256)	270,140	604,550	(281,425)	323,125
	4,746,845	(4,072,031)	674,814	2,530,563	(1,683,790)	846,773

(i) Claims liabilities

	31.12.2014 Gross RM'000	31.12.2014 Reinsurance RM'000	31.12.2014 Net RM'000	31.12.2013 Gross RM'000	31.12.2013 Reinsurance RM'000	31.12.2013 Net RM'000
As at 1 January 2014/2013	1,926,013	(1,402,365)	523,648	1,911,999	(1,387,940)	524,059
Claims incurred in the current accident year	3,428,563	(3,107,448)	321,115	746,028	(407,454)	338,574
Other movements in claims incurred in prior accident years	(237,917)	225,718	(12,199)	(220,373)	195,392	(24,981)
Claims paid during the year (Note 31)	(1,493,671)	1,191,750	(301,921)	(530,344)	202,432	(327,912)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(155)	205	50	7,096	68	7,164
Movements in PRAD	613,540	(617,142)	(3,602)	11,607	(4,863)	6,744
Attributable to disposal group held for sale (Note 16)	(138,924)	16,507	(122,417)	-	-	-
As at 31 December 2014/2013	4,097,449	(3,692,775)	404,674	1,926,013	(1,402,365)	523,648

19. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance (Contd.)

(ii) Premium liabilities

	31.12.2014			31.12.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January 2014/2013	604,550	(281,425)	323,125	592,099	(268,823)	323,276
Premiums written in the year (Note 25)	1,535,038	(940,396)	594,642	1,423,638	(833,720)	589,918
Premiums earned during the year (Note 25)	(1,399,618)	821,340	(578,278)	(1,411,187)	821,118	(590,069)
Attributable to disposal group held for sale (Note 16)	(90,574)	21,225	(69,349)	-	-	-
As at 31 December 2014/2013	649,396	(379,256)	270,140	604,550	(281,425)	323,125

20. SUBORDINATED OBLIGATION

	31.12.2014 RM'000	31.12.2013 RM'000
RM500 million Tier 2 Capital Subordinated Bond	500,000	500,000
Interest payable	10,071	10,183

Issued date	:	5 July 2013
Tenure	:	10 years from issue date on a 10 non-callable 5 basis (due in 2023)
Interest Payable	:	4.13% per annum payable semi-annually in arrears in January and July each year.
Optional Redemption		The Company may, subject to the prior consent of BNM, redeem the bond, in whole but not in part, on 5 July 2018 (first call date) and on each semi-annual interest payment date thereafter at the principal amount together with accrued but unpaid coupon.

The fair value of the subordinated obligations is RM497,535,000 (31.12.2013: RM495,743,521), and is determined by reference to indicative ask-price obtained from Bondweb provided by BPAM.

21. DEFERRED TAX LIABILITIES, NET

	31.12.2014 RM'000	31.12.2013 RM'000
At 1 January 2014/2013	(435,198)	(429,499)
Recognised in:		
Income statement (Note 35)	(60,465)	(19,159)
- Taxation borned by policyholders	4,112	20,674
- Tax expense	(64,577)	(39,833)
Other comprehensive income (Note 35)	24,376	15,050
Insurance contract liabilities (Note 19)	6,455	(1,733)
Translation differences	30	143
At 31 December 2014/2013	(464,802)	(435,198)

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 taxes relate to the same tax authority. The net deferred tax shown in the statement of financial position have been determined after appropriate offsetting.

	31.12.2014 RM'000	31.12.2013 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	14,368	12,307
Deferred tax liabilities	(479,170)	(447,505)
	(464,802)	(435,198)

21. DEFERRED TAXATION (CONTD.)

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

Deferred Tax Assets

	Impairment on Receivables RM'000	General insurance liabilities RM'000	Impairment on Investment RM'000	Others RM'000	Total RM'000
31.12.2014					
At 1 January 2014	6,649	1,008	3,890	760	12,307
Recognised in:					
Income statement	(750)	(420)	3,590	(389)	2,031
- Taxation borned by policyholders	(5)	-	2,087	-	2,082
- Tax expense	(745)	(420)	1,503	(389)	(51)
Translation differences	(148)	-	-	178	30
At 31 December 2014	5,751	588	7,480	549	14,368
31.12.2013					
At 1 January 2013	6,564	1,226	4,747	885	13,422
Recognised in:					
Income statement	(58)	(218)	(857)	(125)	(1,258)
- Taxation borned by policyholders	26	-	(864)	29	(809)
- Tax expense	(84)	(218)	7	(154)	(449)
Translation differences	143	-	-	-	143
At 31 December 2013	6,649	1,008	3,890	760	12,307

21. DEFERRED TAXATION (CONTD.)

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	AFS Reserve RM'000	Non-Participating Fund Unallocated Surplus RM'000	Unit Linked RM'000	Total RM'000
31.12.2014							
At 1 January 2014	(760)	(3,422)	(24,975)	(35,028)	(375,164)	(8,156)	(447,505)
Recognised in:							
Income statement	77	1,630	(1,593)	-	(65,651)	3,041	(62,496)
- Taxation borned by policyholders	(77)	512	(1,446)	-	-	3,041	2,030
- Tax expense	154	1,118	(147)	-	(65,651)	-	(64,526)
Other comprehensive income	-	-	-	24,376	-	-	24,376
Insurance contract liabilities	-	-	-	6,455	-	-	6,455
At 31 December 2014	(683)	(1,792)	(26,568)	(4,197)	(440,815)	(5,115)	(479,170)
31.12.2013							
At 1 January 2013	(278)	(5,702)	(46,026)	(48,345)	(336,794)	(5,776)	(442,921)
Recognised in:							
Income statement	(482)	2,280	21,051	-	(38,370)	(2,380)	(17,901)
- Taxation borned by policyholders	(355)	2,409	21,809	-	-	(2,380)	21,483
- Tax expense	(127)	(129)	(758)	-	(38,370)	-	(39,384)
Other comprehensive income	-	-	-	15,050	-	-	15,050
Insurance contract liabilities	-	-	-	(1,733)	-	-	(1,733)
At 31 December 2013	(760)	(3,422)	(24,975)	(35,028)	(375,164)	(8,156)	(447,505)

22. INSURANCE PAYABLES

	31.12.2014 RM'000	31.12.2013 RM'000
Due to agents and intermediaries	32,074	32,305
Due to reinsurers and cedants	341,272	179,251
	373,346	211,556

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

23. OTHER PAYABLES

	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)
Premium deposits	64,190	57,697	74,065
Dividend payable to policyholders	71,776	70,351	66,714
Amount due to related companies* :			
- Ultimate holding company	607	-	358
- Holding company	635	1,441	1,620
- Other related companies	84	2	-
- Subsidiary	1,650	1,650	1,654
Amount due to stockbrokers	30,625	63,903	7,530
Claims pending disbursement	15,163	34,059	22,178
Sundry payables and accrued liabilities	134,267	135,830	133,091
	318,997	364,933	307,210

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

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

Included in sundry payables and accrued liabilities are balances due to related parties amounted to RM2,740,981 (31.12.2013: RM2,165,165).

24. OPERATING REVENUE

	2014			2013		
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000
Gross premiums (Note 25)	2,631,672	131,226	2,762,898	2,351,935	102,588	2,454,523
Investment income (Note 27)	594,006	5,487	599,493	606,578	4,392	610,970
	3,225,678	136,713	3,362,391	2,958,513	106,980	3,065,493

25. NET EARNED PREMIUMS

	2014 Continuing operations RM'000	2014 Discontinuing operation RM'000 (Note 16)	2014 Total RM'000	2013 Continuing operations RM'000	2013 Discontinuing operation RM'000 (Note 16)	2013 Total RM'000
(a) Gross Earned Premiums						
Life insurance contracts	1,227,860	-	1,227,860	1,030,885	-	1,030,885
General insurance contracts	1,403,812	131,226	1,535,038	1,321,050	102,588	1,423,638
Gross premiums (Note 24)	2,631,672	131,226	2,762,898	2,351,935	102,588	2,454,523
Gross change in premium liabilities	(108,635)	(26,785)	(135,420)	(624)	(11,827)	(12,451)
Gross Earned Premiums	2,523,037	104,441	2,627,478	2,351,311	90,761	2,442,072
(b) Earned Premiums ceded to Reinsurers						
Life insurance contracts	(26,138)	-	(26,138)	(20,274)	-	(20,274)
General insurance contracts	(905,909)	(34,487)	(940,396)	(818,444)	(15,276)	(833,720)
Premiums ceded to reinsurers	(932,047)	(34,487)	(966,534)	(838,718)	(15,276)	(853,994)
Change in premium liabilities ceded to reinsurers	105,514	13,542	119,056	10,545	2,057	12,602
Earned premiums ceded to reinsurers	(826,533)	(20,945)	(847,478)	(828,173)	(13,219)	(841,392)
Net Earned Premiums	1,696,504	83,496	1,780,000	1,523,138	77,542	1,600,680

26. FEE AND COMMISSION INCOME

	<------ 2014	------	------>	<------ 2013	------	------>
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000
Reinsurance commission income	53,065	5,972	59,037	58,560	6,737	65,297

27. INVESTMENT INCOME

	<------ 2014	------	------>	<------ 2013	------	------>
	Continuing operations RM'000	Discontinuing operations RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operations RM'000 (Note 16)	Total RM'000
AFS Financial assets						
Interest income	67,462	4,088	71,550	71,045	3,102	74,147
Dividend income						
- Quoted in Malaysia	31,158	-	31,158	39,710	-	39,710
- Quoted outside Malaysia	570	696	1,266	-	851	851
- Unquoted in Malaysia	4,423	-	4,423	2,551	-	2,551
- Unit and property trusts	2,093	164	2,257	2,739	-	2,739

27. INVESTMENT INCOME (CONTD.)

	2014 Continuing operations RM'000	2014 Discontinuing operation RM'000 (Note 16)	2014 Total RM'000	2013 Continuing operations RM'000	2013 Discontinuing operation RM'000 (Note 16)	2013 Total RM'000
Financial assets at FVTPL						
(i) Designated upon initial recognition						
Interest income	365,151	-	365,151	367,169	-	367,169
(ii) HFT						
Interest income	34,150	-	34,150	35,554	-	35,554
Dividend income						
- Quoted in Malaysia	16,372	-	16,372	14,126	-	14,126
- Unit and property trusts	37	-	37	71	-	71
LAR						
Interest income	33,767	945	34,712	28,478	958	29,436
Interest income from financing receivables and other loans	19,370	-	19,370	19,863	-	19,863
Rental income	29,073	-	29,073	29,149	-	29,149
(Amortisation of premiums)/accretion of discour	(8,199)	81	(8,118)	(975)	(434)	(1,409)
Investment related expenses	(1,421)	(487)	(1,908)	(2,902)	(85)	(2,987)
Total Investment Income	594,006	5,487	599,493	606,578	4,392	610,970

28. REALISED GAINS

	2014 Continuing operations RM'000	2014 Discontinuing operation RM'000 (Note 16)	2014 Total RM'000	2013 Continuing operations RM'000	2013 Discontinuing operation RM'000 (Note 16)	2013 Total RM'000
Realised (loss)/gain on						
disposal of property, plant and equipment	(1)	1	-	-	-	-
write off of property, plant and equipment	-	(30)	(30)	-	-	-
AFS financial assets						
Realised gains/(losses):						
- Malaysian government papers	372	-	372	852	-	852
- Singapore government securities	-	(255)	(255)	-	1,019	1,019
- Equity securities	185,545	(658)	184,887	255,273	109	255,382
- Debt securities	3,237	(73)	3,164	10,018	(169)	9,849
- Irredeemable loan stocks	227	-	227	241	-	241
- Unit and property trust funds	31,211	180	31,391	-	-	-
- Other investments	515	-	515	8,105	1,493	9,598
	221,107	(806)	220,301	274,489	2,452	276,941
Financial assets at FVTPL						
(i) Designated upon initial recognition						
Realised gains:						
- Malaysian government papers	13,871	-	13,871	3,937	-	3,937
- Debts securities	13,525	-	13,525	66,237	-	66,237
- Other investments	410	-	410	-	-	-
	27,806	-	27,806	70,174	-	70,174

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

28. REALISED GAINS (CONTD.)

	2014 Continuing operations RM'000	2014 Discontinuing operation RM'000 (Note 16)	2014 Total RM'000	2013 Continuing operations RM'000	2013 Discontinuing operation RM'000 (Note 16)	2013 Total RM'000
Financial assets at FVTPL (Contd.)						
(ii) HFT						
Realised gains/(losses):						
- Malaysian government papers	906	-	906	(106)	-	(106)
- Equity securities	42,859	-	42,859	48,716	-	48,716
- Debt securities	444	-	444	(312)	-	(312)
- Irredeemable loan stocks	(4)	-	(4)	-	-	-
- Unit and property trust funds	1,292	-	1,292	-	-	-
- Other investments	-	-	-	967	-	967
- Derivatives	52	-	52	(758)	-	(758)
	45,549	-	45,549	48,507	-	48,507
Total Realised Gains/(Losses)	294,461	(835)	293,626	393,170	2,452	395,622

29. FAIR VALUE LOSSES

	2014 Continuing operations RM'000	2014 Discontinuing operation RM'000 (Note 16)	2014 Total RM'000	2013 Continuing operations RM'000	2013 Discontinuing operation RM'000 (Note 16)	2013 Total RM'000
Investment properties	(110)	-	(110)	2,790	-	2,790
Financial assets at FVTPL						
(i) Designated upon initial recognition	10,424	-	10,424	(296,656)	-	(296,656)
(ii) HFT	(39,769)	-	(39,769)	27,220	-	27,220
Total fair value losses on financial assets at FVTPL	(29,345)	-	(29,345)	(269,436)	-	(269,436)
Total Fair Value Losses	(29,455)	-	(29,455)	(266,646)	-	(266,646)

30. OTHER OPERATING (EXPENSES)/INCOME, NET

	<---------- 2014 ----------		---------->	<---------- 2013 ----------		---------->
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000
Other income						
Unrealised gain on foreign exchange	6,353	-	6,353	7,390	-	7,390
Realised gain on foreign exchange	9,852	-	9,852	-	-	-
Processing income	1,298	-	1,298	1,442	-	1,442
Reversal of impairment losses on						
- debt securities	2,763	726	3,489	11	-	11
- financing receivables	399	-	399	-	-	-
- insurance receivables	5,837	-	5,837	-	-	-
- other receivables	143	-	143	224	-	224
Sundry income	3,519	121	3,640	1,202	98	1,300
	30,164	847	31,011	10,269	98	10,367
Other expenses						
Impairment losses on						
- financing receivables	-	-	-	(408)	-	(408)
- insurance receivables	-	-	-	(3,010)	-	(3,010)
- reinsurance assets	(1,153)	-	(1,153)	(36)	-	(36)
- property, plant and equipment	-	-	-	(58)	-	(58)
- prepaid land lease payments	-	-	-	(164)	-	(164)
- equity securities	(49,594)	(1,421)	(51,015)	(4,120)	(708)	(4,828)
Bad debts written off	(1,430)	(3)	(1,433)	(907)	-	(907)
Realised loss on foreign exchange	-	-	-	(570)	(17)	(587)
Sundry expenditure	(717)	-	(717)	(214)	-	(214)
	(52,894)	(1,424)	(54,318)	(9,487)	(725)	(10,212)
Total Other Operating (Expenses)/Income, Net	(22,730)	(577)	(23,307)	782	(627)	155

31. NET BENEFITS AND CLAIMS

	2014			2013		
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000 (Restated)	Discontinuing operation RM'000 (Restated) (Note 16)	Total RM'000 (Restated)
(a) Gross Benefits and Claims Paid						
Insurance contracts:						
Life	1,531,034	-	1,531,034	1,518,985	-	1,513,060
General	1,445,108	48,563	1,493,671	471,256	59,088	530,344
	2,976,142	48,563	3,024,705	1,990,241	59,088	2,043,404
(b) Claims Ceded to Reinsurers						
Insurance contracts:						
Life	(19,958)	-	(19,958)	(18,020)	-	(18,020)
General	(1,187,139)	(4,611)	(1,191,750)	(195,280)	(7,152)	(202,432)
	(1,207,097)	(4,611)	(1,211,708)	(213,300)	(7,152)	(220,452)
(c) Gross Change in Contract Liabilities						
Insurance contracts:						
Life	(168,129)	-	(168,129)	(405,551)	-	(405,551)
General	2,312,862	(2,502)	2,310,360	23,846	(9,832)	14,014
	2,144,733	(2,502)	2,142,231	(381,705)	(9,832)	(391,537)
(d) Change in Contract Liabilities Ceded to Reinsurers						
Insurance contracts:						
Life	1,782	-	1,782	6,164	-	6,164
General	(2,301,615)	(5,302)	(2,306,917)	(17,869)	3,444	(14,425)
	(2,299,833)	(5,302)	(2,305,135)	(11,705)	3,444	(8,261)
Net Benefits and Claims	1,613,945	36,148	1,650,093	1,383,531	45,548	1,423,154

32. MANAGEMENT EXPENSES

	<------ 2014	------	------>	<------ 2013	------	------>
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000
Employee benefits expense (Note 32(a))	134,591	14,272	148,863	137,996	14,089	152,085
Directors' remuneration (Note 33)	968	-	968	1,058	-	1,058
Auditors' remuneration:						
- statutory audit	644	245	889	619	226	845
- regulatory related services	35	-	35	40	-	40
- other services	20	-	20	28	-	28
Amortisation of intangible assets	13,383	124	13,507	11,361	67	11,428
Amortisation of prepaid land lease payments	303	-	303	303	-	303
Bank charges	7,964	360	8,324	7,610	402	8,012
Depreciation of property, plant and equipment	11,154	434	11,588	11,236	330	11,566
Fund management fees	-	(555)	(555)	-	503	503
Other management fees	3,451	106	3,557	4,347	35	4,382
Professional fees	1,566	450	2,016	1,483	342	1,825
Auto assist services	1,911	-	1,911	1,565	-	1,565
Assured medical fees	893	-	893	573	-	573
Rental of offices/premises	3,157	1,697	4,854	3,295	160	3,455
Electronic data processing expenses	8,013	609	8,622	10,329	264	10,593
Outsourcing services	14	-	14	9,504	-	9,504
Maybank shared services - information technology	10,002	-	10,002	-	-	-
Postage and stamp duties	3,424	350	3,774	4,631	145	4,776
Printing and stationery	2,569	707	3,276	3,318	661	3,979
Promotional and marketing cost	16,527	1,045	17,572	20,628	1,299	21,927

32. MANAGEMENT EXPENSES (CONTD.)

	2014 Continuing operations RM'000	2014 Discontinuing operation RM'000 (Note 16)	2014 Total RM'000	2013 Continuing operations RM'000	2013 Discontinuing operation RM'000 (Note 16)	2013 Total RM'000
Training expenses	5,553	92	5,645	4,582	98	4,680
Utilities, assessment and maintenance	8,049	575	8,624	9,640	505	10,145
Entertainment	1,505	138	1,643	1,683	125	1,808
Travelling expenses	3,982	64	4,046	3,821	101	3,922
Office facilities expenses	2,575	144	2,719	2,235	118	2,353
Legal fees	560	10	570	756	13	769
Other expenses	27,851	1,077	28,928	24,205	1,083	25,288
Total Management Expenses	270,664	21,944	292,608	276,846	20,566	297,412

(a) **Employee benefits expense:**

	2014 Continuing operations RM'000	2014 Discontinuing operation RM'000 (Note 16)	2014 Total RM'000	2013 Continuing operations RM'000	2013 Discontinuing operation RM'000 (Note 16)	2013 Total RM'000
Wages and salaries	99,094	12,671	111,765	99,390	12,119	111,509
EPF, CPF and TAP	15,225	758	15,983	16,800	988	17,788
SOCSO	594	-	594	597	-	597
Share-based compensation	4,082	90	4,172	5,167	136	5,303
Other benefits	15,596	753	16,349	16,042	846	16,888
	134,591	14,272	148,863	137,996	14,089	152,085

32. MANAGEMENT EXPENSES (CONTD.)

Continuing operations

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

	2014 RM'000	2013 RM'000
Salary	320	458
Bonus	140	179
EPF and pension scheme	80	116
Share-based compensation	-	-
Benefits-in-kind	3	6
Other emoluments	58	113
Retirement gratuity	-	-
	601	872

33. DIRECTORS' FEES AND REMUNERATION

	2014 RM'000	2013 RM'000
Continuing operations		
(i) Directors of the company		
Executive directors:		
Salary	-	314
Fees	-	10
Allowance	-	1
	-	325
Non-executive directors:		
Fees	787	577
Allowance	92	81
Other emoluments	56	50
	935	708
(ii) Other directors:		
Non executive:		
Fees	29	22
Allowance	4	3
	33	25
Total Directors' Fees and Remuneration	968	1,058

33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

2014	Salary RM'000	Allowance RM'000	Fees RM'000	Bonuses RM'000	EPF and Pension Scheme RM'000	Share-based compensation RM'000	Benefits -in-kind RM'000	Other emoluments RM'000	Total RM'000
(i) Directors of the Company:									
Executive director									
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Non-executive directors									
Dato' Mohd Salleh Hj Harun	-	8	113	-	-	-	-	-	121
Dato' Johan Ariffin	-	14	104	-	-	-	-	-	118
Encik Zainal Abidin Jamal	-	10	82	-	-	-	-	-	92
Mr. Gary Lee Crist	-	7	75	-	-	-	-	-	82
Datuk R Karunakaran	-	18	125	-	-	-	-	-	143
Mr. Loh Lee Soon	-	13	100	-	-	-	-	-	113
Mr. Frank J.G Van Kempen	-	12	107	-	-	-	-	-	119
Mr. Koh Heng Kong	-	10	81	-	-	-	-	56	147
	-	92	787	-	-	-	-	56	935
(ii) Other Directors									
Non-executive directors									
Datuk' Abdul Farid Alias	-	4	29	-	-	-	-	-	33
	-	4	29	-	-	-	-	-	33
	-	96	816	-	-	-	-	56	968

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33. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

2013	Salary RM'000	Allowance RM'000	Fees RM'000	Bonuses RM'000	EPF and Pension Scheme RM'000	Share based compensation RM'000	Benefits -in-kind RM'000	Other emoluments RM'000	Total RM'000
(i) Directors of the Company									
Executive director									
Mr Hans De Cuyper	314	1	10	-	-	-	-	-	325
	314	1	10	-	-	-	-	-	325
Non-executive directors									
Dato' Mohd Salleh Hj Harun	-	9	90	-	-	-	-	-	99
Dato' Johan Ariffin	-	14	82	-	-	-	-	-	96
Encik Zainal Abidin Jamal	-	7	60	-	-	-	-	-	67
Mr. Gary Lee Crist	-	7	60	-	-	-	-	50	117
Datuk R Karunakaran	-	16	98	-	-	-	-	-	114
Encik Mohamed Nor	-			-	-	-	-	-	-
Abdul Hamid	-	3	22	-	-	-	-	-	25
Mr. Loh Lee Soon	-	15	79	-	-	-	-	-	94
Mr. Frank J.G Van Kempen	-	7	70	-	-	-	-	-	77
Mr. Koh Heng Kong	-	3	16	-	-	-	-	-	19
	-	81	577	-	-	-	-	50	708
(ii) Other Directors									
Non-executive directors									
Dato' Sri Abdul Wahid Omar	-	1	10	-	-	-	-	-	11
Datuk' Abdul Farid Alias	-	-	2	-	-	-	-	-	2
Datuk Dr Syed Othman Syed Hussin Alhabshi	-	2	10	-	-	-	-	-	12
	-	3	22	-	-	-	-	-	25
	314	85	609	-	-	-	-	50	1,058

34. FEE AND COMMISSION EXPENSES

	2014			2013		
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000
Costs incurred for the acquisition of insurance contracts expensed	165,876	22,042	187,918	168,185	17,065	185,250

35. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 31 December 2013 are:

	<-- 2014 -->			<-- 2013 -->		
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000
Income Statement						
Income tax:						
Current financial year's						
- Malaysia	52,252	-	52,252	39,311	-	39,311
- Foreign	-	1,414	1,414	-	-	-
Under/(over) provision of taxation in prior financial years	7,384	-	7,384	(9,297)	-	(9,297)
Deferred taxation:						
Relating to origination and reversal of temporary differences (Note 21)	64,577	-	64,577	39,833	-	39,833
Income tax expense recognised in income statement	124,213	1,414	125,627	69,847	-	69,847
Statement of Comprehensive Income						
Deferred income tax related to other comprehensive income:						
- Fair value changes on AFS investments (Note 21)	(24,376)	-	(24,376)	(15,050)	-	(15,050)

35. INCOME TAX EXPENSE (CONTD.)

Reconciliation between tax expense and accounting profit

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

	<---------- 2014 ----------		---------->	<---------- 2013 ----------		---------->
	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000	Continuing operations RM'000	Discontinuing operation RM'000 (Note 16)	Total RM'000
Profit before taxation	467,666	13,409	481,075	445,776	7,317	453,093
Taxation at Malaysian statutory tax rate of 25%	116,917	3,352	120,269	111,444	1,829	113,273
Business outside Malaysia taxed at 5%	(5,413)	-	(5,413)	(13,555)	-	(13,555)
Tax relief on actuarial surplus transferred to shareholder's fund	(470)	-	(470)	(525)	-	(525)
Income not subject to tax	(899)	(1,938)	(2,837)	(6,186)	(1,829)	(8,015)
Expenses not deductible for tax purposes	11,769	-	11,769	5,953	-	5,953
Effect of reduction in tax rate	(2,735)	-	(2,735)	(13,490)	-	(13,490)
Additional deduction allowed in respect of cash contributions made to MMIP during the year	(2,340)	-	(2,340)	(4,497)	-	(4,497)
Under/(over) provision of taxation in prior financial years	7,384	-	7,384	(9,297)	-	(9,297)
Tax expense for the financial year	124,213	1,414	125,627	69,847	-	69,847

Domestic income tax for shareholder's fund and general fund are calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year.

35. INCOME TAX EXPENSE (CONTD.)

Taxation borned by policyholders

	<---- 2014 ----		---->	<---- 2013 ----		---->
	Continuing operations RM'000	**Discontinuing operation RM'000** (Note 16)	**Total RM'000**	**Continuing operations RM'000**	**Discontinuing operation RM'000** (Note 16)	**Total RM'000**
Income tax:						
Current financial year						
- Malaysia	50,635	-	50,635	59,184	-	59,184
Deferred taxation:						
Relating to origination and reversal of temporary differences (Note 21)	(4,112)	-	(4,112)	(20,674)	-	(20,674)
Over provision of taxation in prior financial years	527	-	527	(7,449)	-	(7,449)
	47,050	-	47,050	31,061	-	31,061

The income tax borned by policyholders are calculated based on the statutory rate of 8% (2013: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

36. EARNINGS PER SHARE

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

	2014 RM'000	2013 RM'000
Profit attributable to ordinary equity holders:		
- Continuing operations	343,453	375,929
- Discontinuing operation	11,995	7,317
	343,453	383,246

	2014 '000	2013 '000
Number of ordinary share in issue	152,151	152,151

	2014 sen	2013 sen
Basic earnings per share:		
- Continuing operations	225.73	247.08
- Discontinuing operation	7.88	4.81
	233.62	251.89

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the reporting date.

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

37. DIVIDENDS

	2014 RM'000	2013 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim dividend for the year ended 31 December 2013: 394.5 sen per share, net of tax at 25%	-	450,178
	-	450,178

The directors do not recommend the payment of any final dividend in respect of the current financial year.

38. OPERATING LEASE COMMITMENTS

(a) Company as lessee

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

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

	31.12.2014 RM'000	31.12.2013 RM'000
Within 1 year	3,235	3,010
After 1 year but not more than 5 years	7,913	8,017
	11,148	14,376

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

(b) Company as lessor

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

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

	31.12.2014 RM'000	31.12.2013 RM'000
Not later than 1 year	35,927	32,308
After 1 year but not more than 5 years	60,881	79,766
	96,808	87,622

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

39. OTHER COMMITMENTS AND CONTINGENCIES

	31.12.2014 RM'000	31.12.2013 RM'000
Approved and contracted for:		
Investment properties	58,877	12,671
Property, plant and equipment	14,294	7,293
Intangible assets	14,862	1,831
	88,033	21,795
Approved but not contracted for:		
Investment properties	219,782	278,221
Property, plant and equipment	-	1,836
	219,782	280,057

40. SHARE BASED COMPENSATION

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 ESOS and RSU.

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 of RM1.00 each in the Bank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme. Other principal features of the ESS are as follows:

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

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

(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.

40. SHARE BASED COMPENSATION (CONTD.)

(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 would be null and void.

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

- <u>ESOS</u>
  Under the ESOS award, MBB may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares of RM1.00 each in MBB, provided all the conditions including performance-related conditions are duly and fully satisfied.

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

40. SHARE BASED COMPENSATION (CONTD.)

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

- On 23 June 2011, MBB granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met the average performance target ("ESOS First Grant"). The first tranche of ESOS under ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012. The third tranche of ESOS under ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013. The fourth tranche of ESOS under ESOS First Grant amounting to 74,253,400 options have been vested and exercisable as at 30 April 2014, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2012, MBB granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Group ("ESOS Second Grant"). The first tranche of ESOS under ESOS Second Grant amounting to 6,185,800 options have been vested and exercisable as at 7 May 2012. The second tranche of ESOS under ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013. The third tranche of ESOS under ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2013, MBB granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Maybank Group ("ESOS Third Grant"). The first tranche of ESOS under ESOS Third Grant amounting to 9,199,800 options have been vested and exercisable as at 21 May 2013. The second tranche of ESOS under ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2014, MBB granted five (5) tranches of ESOS amounting to 53,983,100 options to confirmed new recruits in the Maybank Group ("ESOS Fourth Grant"). The first tranche of ESOS under ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

40. SHARE BASED COMPENSATION (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.

(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 2-year cliff vesting schedule.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

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

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

The Company have related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

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

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

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

	2014 RM'000	2013 RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	4,977	4,043
Commissions and fees expenses	(83,162)	(62,410)
Claims paid	(590)	(420)
Dividend income	-	1,051
Interest income	32,729	34,921
Rental income	3,350	2,369
Net hedging income	1,717	-
Other expenses	(4,108)	(5,010)
Holding company:		
Rental income	149	68
Shared service cost	(7,055)	(5,547)
Interim dividend	-	(450,178)
Other related companies within the MBB group:		
Gross premium income	35	1
Dividend income	1,580	-
Interest income	7,132	165
Rental income	13,602	12,946
Other investment income	25	-
Other management fees/(expenses)	-	(58)
Shared service income	40,285	43,304
Maybank shared service - information technology	(10,002)	-
Other expenses	-	(1,651)
Companies with significant influence over the MBB Group:		
Gross insurance premium income	1,972	1,085
Interest on subordinated obligation	(10,945)	(5,397)
Connected parties:		
Gross insurance premium income	844	-

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

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

	31.12.2014 RM'000	31.12.2013 RM'000
Ultimate holding company:		
Fixed and call deposits	245,679	451,749
Structured deposits	170,275	172,984
NCD	66,463	64,259
Corporate bonds	302,868	298,050
Quoted shares	-	18,411
Derivatives	(15,135)	(2,747)
Bank balance	81,194	107,192
Income due and accrued	6,804	7,383
Outstanding premiums	6,966	8,588
Claims liabilities	(256)	(77)
Amount due from/(to) ultimate holding company	(607)	1,694
Other receivables	1,983	53
Other payables	(2,162)	(2,165)
Holding company:		
Amount due to holding company	(635)	(1,441)
Other related companies over the MBB Group:		
Fixed and call deposits	323,772	-
Corporate bonds	9,709	-
Derivatives	1,683	-
Outstanding premiums	4	-
Income and profits due and accrued	345	302
Amount due from other related companies	5,384	3,399
Amount due to other related companies	(84)	(2)
Companies with significant influence over the MBB Group:		
Outstanding premiums	95	2,431
Claims liabilities	(1,142)	-
Subordinated obligation	(270,338)	(270,397)
Connected parties:		
Outstanding premiums	7,092	-
Subsidiary:		
Amount due to subsidiary	(1,650)	(1,650)

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

(c) Key management personnel compensation

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

	2014 RM'000	2013 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	556	1,036
- Fees	816	609
- EPF and pension scheme	80	116
- Other emoluments and benefits-in-kind	117	169
	1,569	1,930

(ii) The movement in share options of key management personnel is as follows:

	2014 RM'000	2013 RM'000
At 1 January	95	-
Granted	241	95
Resignation of key management personnel	(336)	-
Appointment of key management personnel	99	-
At 31 December	99	95

The remuneration of other key management personnel, that is the non-executive directors of the Company are as disclosed in Note 33.

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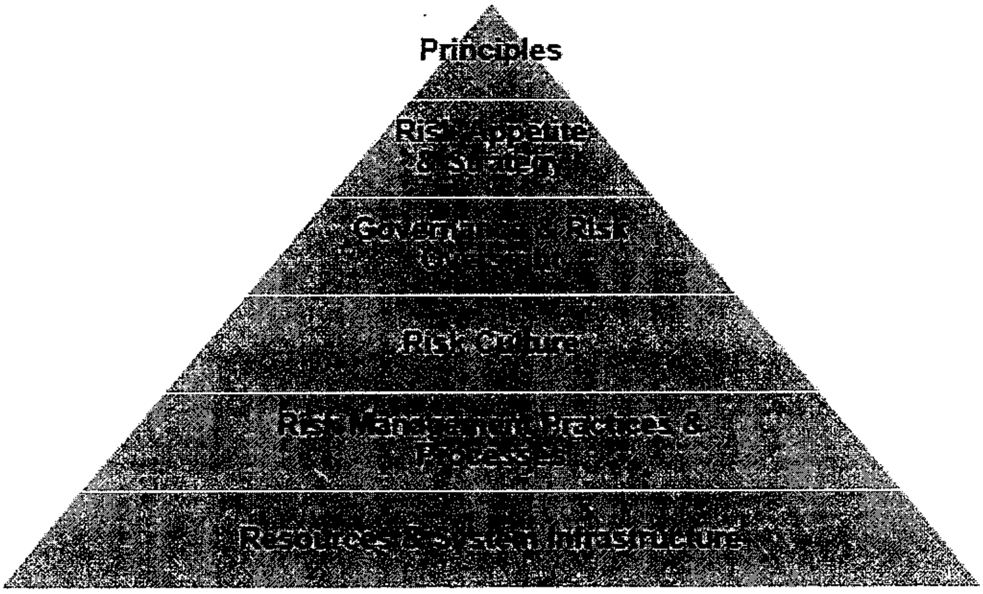
42. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines 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 Group ("MAHB"), being Etiqa Insurance Berhad ("EIB"), Etiqa Takaful Berhad ("ETB"), collectively known as the Maybank Ageas Group ("The Group").

Risk is a component inherent in all aspects of the Group's business, which by nature involves risk taking. In its simplest term, risk is the possibility of incurring losses arising from uncertainty which would then impact the Group's objectives. Accordingly, the management of risk has evolved into an important business driver for strategic decisions in support of the Group's business strategies, balancing the appropriate level of risk taken proportionate to the desired level of reward while maintaining the sound financial position and capital of the Group. Essentially the management of risk involves the establishment of risk principles and strategies as the core foundation in driving risk management practices and processes to be embedded in all processes and activities of the Group.

The Group's Risk Management Framework sets out the key building blocks which served as the foundation for the management of risk.

Diagram 1



The above components are benchmarked against leading industry practices as well as regulatory guidelines and are closely aligned to the Group's business strategy. These components are executed in accordance with the risk management standards and risk appetite set out by the Board of directors ("Board").

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles

As risk management is a core discipline of the Group, the key guiding principles established serve as the foundation for the Group's risk management practices and processes

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 and Senior Management to communicate, understand and assess the types and level of risk that they are willing to accept in pursuit of its business objectives.

Governance and Oversight

The Group's structure and regionalisation aspirations, the Group continuously enhances its integrated risk management approach towards the effective management of enterprise-wide risks. The Group views the overall risk management process with a structured and disciplined approach to align strategies, policies, process, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

The management of risk broadly takes place at different hierarchical levels. The risk governance structure for the Group 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.

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.

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

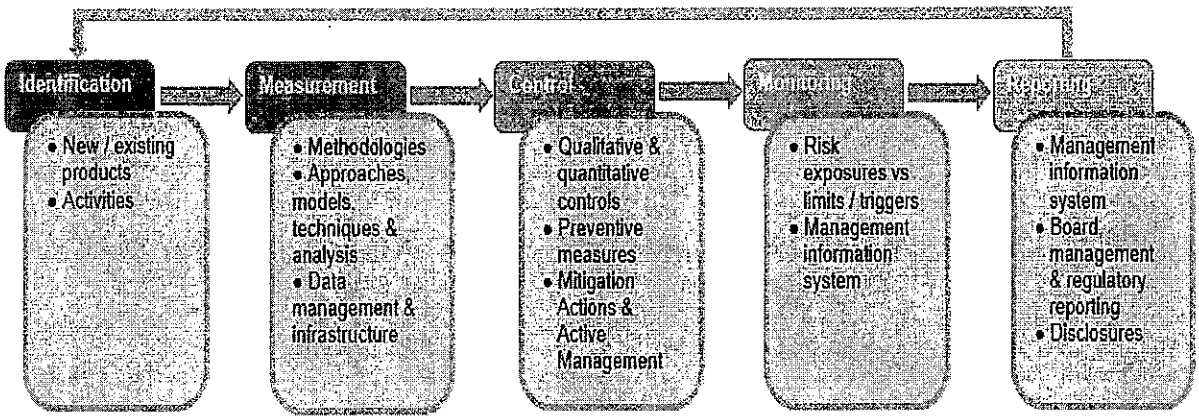
A positive risk culture is driven by a strong tone at the top with a clear vision for an effective approach to risk and ingrained in all levels of management and sectors, which is built into the behavior of each individual within the Group. In line with the evolving market environment and the dynamics 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.

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Management Practices and Process

The risk management practices and process are a fundamental component of the risk principles prescribed by the Group. To ensure a comprehensive approach to risk management whilst supporting the Group's risk principles, the risk management practices and process are essential in enabling the Group to systematically identify, measure, control, monitor and report risk exposures throughout the Group.

To enable an effective execution of the risk management practices and process, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group.



Resource and System Insfrastructure

Appropriate system infrastructure and resources are the foundation and an enabler to an effective risk management practices and process. Hence, the Group has equiped itself with the necessary resources, infrastructure and support to perform its roles efficiently.

Risk Organisation

The Group's risk organisation structure relates to both internal and external regulation and shapes the risk environment in which the Group operates. The three lines of defence risk management model helps to mitigate these risk. The Group's risk management is organised and is embedded in the business units.

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Organisation (Contd.)

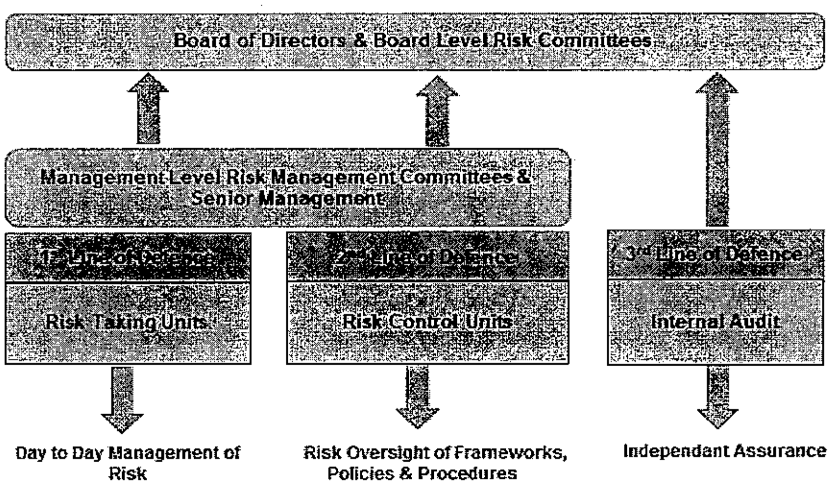
Following the same spirit, the Group's risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units and Internal Audit. The three lines of defence model is distinguished among functions that own and manage risks, functions that oversee risks and functions that provide independent assurance.

1. **Risk Taking Units**
Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities. They are the first placed and operationally responsible to ensure that the Group does not suffer from unpleasant surprises. The business is responsible for managing the full risk taxonomy that relates its execution of the business strategy and ranges from the CEO, Line Management, and Business Managers to employees in the business lines. The first line of defence excels with robust risk culture and risk awareness all the way down into the deepest levels of their organization.

2 **Risk Control Units**
Risk Control Units, through Risk Management Department, Compliance Department and Shariah Division, are responsible for setting the risk management framework, adherence to it, developing tools and methodologies for the identification, measurement, monitoring and control. In addition, the Risk Management Department has the responsibility to communicate and embed risk strategy, risk awareness and risk management within the entire organisation. The Compliance function has an overall assurance role in which it makes sure that policies abide to any relevant external guidelines and requirements.

3 **Internal Audit**
Internal Audit checks and provides independent assurance of the effectiveness of the risk management approach, proper design and implementation of the risk management framework and observance of guidelines, policies and processes.

The internal auditors of the MBB Group provide independent assurance of the effectiveness of the risk management approach and are the third line of defence.

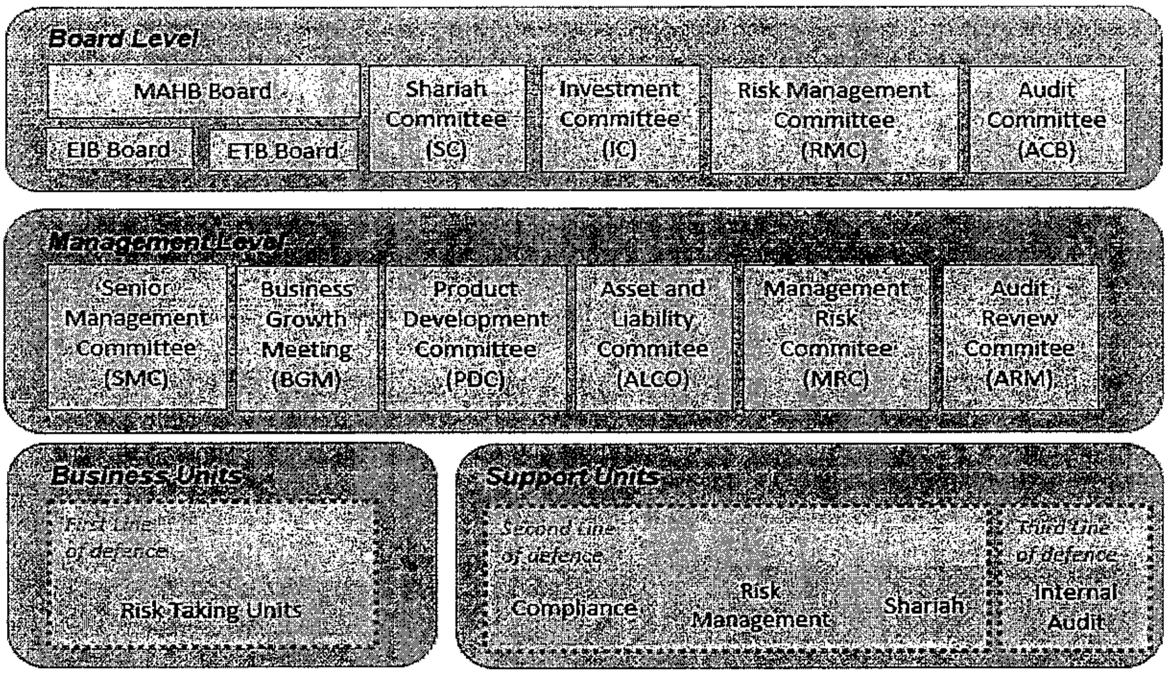


42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Governance Structure

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the Governance bodies involved in the risk management function.

The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Board, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").



Board
The MAHB Board, together with the EIB and ETB boards, have the final responsibility for all business activities, including risk management. The Board is the ultimate decision-making body of the Group. The boards have delegated specific matters to Sub-Board Committee, such as risk matters to the Risk Management Committee, Audit matters to the Audit Committee and investment matters to the Investment Committee

SC
The role of the SC is to oversee shariah compliance for the takaful subsidiary. The SC assists the Board in fulfilling its supervision and monitoring responsibilities in respect of Shariah principles.

RMC
The role of the RMC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control, including monitoring the risk profile of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board.

42. RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Governance Structure (Contd.)

IC
The role of the IC is the governance body which carries an oversight function on investment related activities.

AC
The role of the AC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal and external audit activities rather than internal audit and external audit.

SMC
The responsibility of the SMC is to assure the Board that the components of the Group take appropriate decisions regarding risks 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 strategies and operations. It will carry out its responsibilities within the limits set by the MRC which include the Risk Appetite and Asset Liability Management ("ALM") constraints.

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

BGM
BGM is a platform for business leaders to discuss business growth development issues..

PDC
PDC's prime objective is to coordinate and manage the process of product development and product management for a specific product line as derived from overall marketing plan of the Group.

43. INSURANCE RISK

Insurance risk relates to the inherent risks associated with the underwriting activities of life and general businesses. Such risks include pricing, reserving, underwriting, catastrophe and reinsurance counterparty default. Analyses are performed to manage pricing, underwriting and reserving risks by evaluating trends before benefits and claims become due for payment.

Reinsurance is placed to minimise certain insurance risk within the established risk parameters. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honour their obligations. The Company evaluates the ability of all the current and prospective reinsurers operators to meet their obligations under exceptional but plausible adverse events on an on-going basis.

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

(A) Life Insurance

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

	31.12.2014			31.12.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Whole life	625,875	-	625,875	605,724	-	605,724
Endowment	4,271,162	-	4,271,162	4,850,291	-	4,850,291
Mortgage	874,602	(22,536)	852,066	919,195	(26,049)	893,146
Term assurance	371,026	-	371,026	361,155	-	361,155
Annuity	491,518	-	491,518	447,249	-	447,249
Others	71,312	-	71,312	107,173	-	107,173
Total	6,705,495	(22,536)	6,682,959	7,290,787	(26,049)	7,264,738

All of the Company's life business is derived from Malaysia and, accordingly, a geographical analysis by country is not relevant to the Company.

43. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

(ii) Key Assumptions

Material judgement is required in determining the insurance liabilities and in the choice of assumptions. Assumptions used 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") of the appropriate duration.

In the case of the 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 participanting fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes. Participating business includes participating annuity. The discount rate for participating annuity business is the gross rate as these funds are tax exempt.

(b) Mortality and morbidity rates

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

The Company bases mortality and morbidity on local established industry tables which reflect historical experiences, adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and its own claims severity and frequency experiences. For those contracts that insure longevity risk, an allowance is made for expected future mortality improvements.

43. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

(ii) Key Assumptions (Contd.)

(c) Lapse and surrender rates
Lapse and surrender rates are used to determine the expected persistency of the business i.e. policyholders renew their policies etc. These rates based on the Company's historical experience of lapses and surrenders.

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

(iii) Sensitivity Analysis

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

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

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit Before Tax RM'000	Impact on Equity RM'000
		<-------- Increase	-------->	<-------- Decrease	-------->
2014					
Discount rate*	-1%	562,014	560,867	(191,075)	(159,955)
Mortality and morbidity rates	+/- 10% (adverse)	126,191	124,262	(99,647)	(74,735)
Lapse and surrender rates	+/- 10% (adverse)	22,758	22,802	(685)	(513)
Expenses	+10%	41,857	41,857	(22,749)	(17,062)

43. INSURANCE RISK (CONTD.)

(A) Life Insurance (Contd.)

(iii) Sensitivity Analysis (Contd.)

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities** RM'000	Impact on Profit Before Tax RM'000	Impact on Equity RM'000
		<-------- Increase	-------->	<-------- Decrease	-------->
2013					
Discount rate*	-1%	529,663	528,325	(156,049)	(129,552)
Mortality and morbidity rates	+/- 10% (adverse)	122,331	120,102	(93,984)	(70,488)
Lapse and surrender rates	+/- 10% (adverse)	26,762	26,709	(502)	(376)
Expenses	+10%	35,942	35,942	(17,071)	(12,803)

* 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.

43. INSURANCE RISK (CONTD.)

(B) General Insurance

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

	2014 Gross RM'000	2014 Reinsurance RM'000	2014 Net RM'000	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000
Malaysia						
Motor	251,237	(9,038)	242,199	264,125	(9,709)	254,416
Fire	186,721	(106,573)	80,148	200,263	(112,616)	87,647
Marine, Aviation, Cargo and Transit	742,225	(726,173)	16,052	658,610	(643,743)	14,867
Miscellaneous	211,426	(61,156)	150,270	187,895	(50,094)	137,801
	1,391,609	(902,940)	488,669	1,310,893	(816,162)	494,731
Brunei						
Motor	811	(37)	774	1,055	(87)	968
Fire	5,365	(812)	4,553	4,536	(858)	3,678
Marine, Aviation, Cargo and Transit	451	(12)	439	519	(200)	319
Miscellaneous	5,576	(2,108)	3,468	4,047	(1,137)	2,910
	12,203	(2,969)	9,234	10,157	(2,282)	7,875
Total	1,403,812	(905,909)	497,903	1,321,050	(818,444)	502,606

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(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.

	2014	2013
Unallocated loss adjustment expense to paid loss ratio	5%	5%

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Sensitivity Analysis

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

Illustrative results of sensitivity testing for the general insurance fund's 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	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
		<------------------ Increase/(decrease)			------------------>
2014					
Net Incurred Claims Ratio	+ 5%	64,759	24,739	(24,739)	(18,554)
	- 5%	(64,759)	(24,739)	24,739	18,554
2013					
Net Incurred Claims Ratio	+ 5%	66,021	25,626	(25,626)	(19,220)
	- 5%	(66,021)	(25,626)	25,626	19,220

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

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iii) Claims development table

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

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Gross Insurance Contract Liabilities

Accident year	Before 2008 RM'000	As at 31 December 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Estimate of gross cumulative claims:									
At the end of accident year		420,321	511,266	562,758	387,941	640,233	687,574	3,368,421	
1 year later		506,979	420,875	738,192	533,071	670,334	507,493		
2 years later		348,529	314,554	733,794	386,610	655,020			
3 years later		342,855	303,437	669,579	396,983				
4 years later		345,716	298,374	631,422					
5 years later		342,245	296,156						
6 years later		339,109							
Estimate of gross cumulative claims (A)		339,109	296,156	631,422	396,983	655,020	507,493	3,368,421	
Estimate of gross cumulative payments to date:									
At the end of accident year		131,993	137,944	141,508	121,264	229,494	167,692	1,120,319	
1 year later		230,652	229,309	324,251	247,258	359,755	307,101		
2 years later		285,343	273,022	399,692	283,406	472,739			
3 years later		319,168	285,531	503,397	306,870				
4 years later		329,271	287,957	511,782					
5 years later		332,451	288,669						
6 years later		333,065							
Gross cumulative payments (B)		333,065	288,669	511,782	306,870	472,739	307,101	1,120,319	
Gross outstanding claim liabilities (A) - (B)	98,731	6,044	7,487	119,640	90,113	182,281	200,392	2,248,102	2,952,790
Gross outstanding claim liabilities for Brunei and Treaty Inward									75,772
Gross outstanding claim liabilities for Singapore - Alpha Reinsurance									-
ULAE									13,918
Best estimate of gross claim liabilities									3,042,479
PRAD									1,054,969
Gross Insurance Claims Liabilities as at 31 December 2014									4,097,449

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 2008 RM'000	<---- As at 31 December 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000 ---->	Total RM'000
Estimate of net cumulative claims:									
At the end of accident year		241,450	351,437	366,444	237,994	271,700	283,985	263,503	
1 year later		207,650	226,824	257,423	239,453	258,324	265,906		
2 years later		202,737	216,933	257,693	234,554	260,331			
3 years later		206,484	216,002	254,756	238,818				
4 years later		205,833	213,716	256,253					
5 years later		204,816	212,961						
6 years later		201,932							
Estimate of net cumulative claims (A)		201,932	212,961	256,253	238,818	260,331	265,906	263,503	
Estimate of net cumulative payments to date:									
At the end of accident year		107,519	116,199	129,148	104,838	113,841	131,720	113,052	
1 year later		175,167	180,253	215,845	197,855	211,743	224,674		
2 years later		187,786	199,997	239,697	220,615	239,069			
3 years later		195,245	207,217	247,450	229,267				
4 years later		199,205	208,925	249,705					
5 years later		199,890	209,159						
6 years later		200,222							
Net cumulative payments (B)		200,222	209,159	249,705	229,267	239,069	224,674	113,052	
Net outstanding claim liabilities (A) - (B)	5,821	1,710	3,802	6,548	9,551	21,262	41,232	150,451	240,377
Net outstanding claim liabilities for Brunei and Treaty Inward									74,906
Net outstanding claim liabilities for Singapore - Alpha Reinsurance									-
ULAE									13,918
Best estimate of net claim liabilities									329,201
PRAD									75,473
Net Insurance Claims Liabilities as at 31 December 2014									404,674

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Gross insurance Contract Liabilities

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
		<------ As at 31 December						------>	
Estimate of gross cumulative claims:									
At the end of accident year		354,152	459,301	605,472	656,260	460,417	698,578	746,028	
1 year later		384,673	593,658	509,549	831,332	601,879	724,724		
2 years later		395,397	438,580	404,015	820,858	455,819			
3 years later		426,469	434,911	395,351	756,811				
4 years later		395,307	439,218	393,292					
5 years later		404,418	438,673						
6 years later		392,534							
Estimate of gross cumulative claims (A)		392,534	438,673	393,292	756,811	455,819	724,724	746,028	
Estimate of gross cumulative payments to date:									
At the end of accident year		135,892	155,876	170,003	167,364	137,202	243,483	184,340	
1 year later		257,473	293,662	288,903	376,516	281,548	388,294		
2 years later		304,809	361,297	342,231	461,088	328,451			
3 years later		349,096	402,446	364,424	576,511				
4 years later		358,479	417,902	376,405					
5 years later		370,998	426,187						
6 years later		374,996							
Gross cumulative payments (B)		374,996	426,187	376,405	576,511	328,451	388,294	184,340	
Gross outstanding claim liabilities (A) - (B)	129,988	17,538	12,486	16,887	180,300	127,368	336,430	561,688	1,382,685
Gross outstanding claim liabilities for Brunei and Treaty Inward									63,463
Gross outstanding claim liabilities for Singapore - Alpha Reinsurance									5,328
ULAE									17,662
Best estimate of net claim liabilities									1,469,138
PRAD									456,875
Gross Insurance Claims Liabilities as at 31 December 2013									1,926,013

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

Analysis of claims development - Net of Reinsurance

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
		<------ As at 31 December						------>	
Estimate of net cumulative claims:									
At the end of accident year		284,724	316,237	440,485	449,907	301,441	325,515	338,573	
1 year later		285,188	289,372	310,411	343,699	301,483	308,359		
2 years later		279,277	287,788	300,200	338,592	296,650			
3 years later		279,519	293,719	301,649	335,791				
4 years later		262,514	294,510	302,635					
5 years later		262,074	296,408						
6 years later		262,524							
Estimate of net cumulative claims (A)		262,524	296,408	302,635	335,791	296,650	308,359	338,573	
Estimate of net cumulative payments to date:									
At the end of accident year		109,836	130,198	146,144	153,497	119,674	126,418	147,320	
1 year later		206,426	234,926	235,823	264,709	229,437	238,364		
2 years later		230,190	260,309	264,419	297,575	261,186			
3 years later		241,678	274,383	280,774	314,687				
4 years later		249,158	283,359	291,881					
5 years later		254,324	288,983						
6 years later		257,833							
Net cumulative payments (B)		257,833	288,983	291,881	314,687	261,186	238,364	147,320	
Net outstanding claim liabilities (A) - (B)	4,590	4,691	7,425	10,754	21,104	35,464	69,995	191,253	345,276
Net outstanding claim liabilities for Brunei and Treaty Inward									63,469
Net outstanding claim liabilities for Singapore - Alpha Reinsurance									5,328
ULAE									17,458
Best estimate of net claim liabilities									431,531
PRAD									92,117
Net Insurance Claims Liabilities as at 31 December 2013									523,648

43. INSURANCE RISK (CONTD.)

(B) General Insurance (Contd.)

(iv) Claims development table (Contd.)

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 premium earned in the first half of the year only (i.e. up to 30 June only).

Subsequent to 2009, gross valuation was performed as at the end of the year. Thus, the estimated cumulative claims from year 2009 to 2014 represent the estimate of expected claims to be paid on gross premium earned up to 31 December.

44. FINANCIAL RISKS

(i) Credit Risk

The Company's credit risk arises mainly through investments in fixed income instruments, fixed and call deposits, cash and bank balances and contracts with policyholders and reinsurance counterparties.

However, the main contribution to credit risk arises from transactions related to the Company's positions in debt securities (mainly corporate bonds). The Company faces default risk when the counterparties fail to meet contractual payment obligations.

Financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

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

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

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreement. In respect of bifurcated derivatives relating to structured products categorised as AFS financial assets, the bifurcated derivatives are considered together with the host contract for the purposes of financial risk exposures and management.

	31.12.2014			31.12.2013		
	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000
AFS financial assets						
Malaysian government paper	95,915	-	95,915	128,220	-	128,220
Singapore government securities	-	-	-	38,211	-	38,211
Debt securities, structured products and NCDs	1,273,672	-	1,273,672	1,353,594	-	1,353,594
Equity securities	1,417,295	-	1,417,295	1,415,396	-	1,415,396
Unit and property trust funds	54,819	-	54,819	220,946	-	220,946
Irredeemable loan stocks	-	-	-	10,548	-	10,548
Financial assets at FVTPL						
(i) **Designated upon initial recognition**						
Malaysian government paper	231,195	-	231,195	371,683	-	371,683
Debt securities, structured products and NCDs	6,978,798	-	6,978,798	6,629,360	-	6,629,360
(ii) **HFT**						
Malaysian government paper	-	65,182	65,182	-	66,327	66,327
Debt securities, structured products and NCDs	-	929,120	929,120	-	888,394	888,394
Equity securities	-	663,921	663,921	-	493,904	493,904
Unit and property trust funds	-	14,962	14,962	-	18,013	18,013
LAR						
Fixed and call deposits	715,915	178,568	894,483	1,087,166	229,949	1,317,115
Financing receivables	264,431	-	264,431	267,131	-	267,131
Reinsurance assets	4,096,708	-	4,096,708	1,711,403	-	1,711,403
Insurance receivables	341,771	-	341,771	198,463	-	198,463
Other receivables	312,205	24,636	336,841	216,235	14,339	230,574
Derivative assets	-	12,646	12,646	4	13,274	13,278
Cash and bank balances	71,291	417	71,708	139,422	126	139,548
	15,854,015	1,889,452	17,743,467	13,787,782	1,724,326	15,512,108

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating

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

	Neither past-due nor impaired						
	*Investment grade RM'000 A to AAA	*Non-Investment grade RM'000 B to BBB	Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2014							
AFS financial assets							
Malaysian government paper	-	-	95,915	-	-	-	95,915
Singapore government securities	-	-	-	-	-	-	-
Debt securities, structured products and NCDs	1,047,341		226,331	-	-	-	1,273,672
Equity securities	-	-	-	-	-	1,417,295	1,417,295
Unit and property trust funds	-	-	-	-	-	54,819	54,819
Irredeemable loan stocks	-	-	-	-	-	-	-
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government paper	-	-	231,195	-	-	-	231,195
Debt securities, structured products and NCDs	5,737,232	20,156	1,221,410	-	-	-	6,978,798
(ii) HFT							
Malaysian government paper	-	-	-	65,182	-	-	65,182
Debt securities, structured products and NCDs	-	-	-	929,120	-	-	929,120
Equity securities	-	-	-	663,921	-	-	663,921
Unit and property trust funds	-	-	-	14,962	-	-	14,962
LAR							
Fixed and call deposits	715,915	-	-	178,568	-	-	894,483
Financing receivables	-	-	263,085	-	1,346	-	264,431
Reinsurance assets	666,741	20,435	3,409,532	-	-	-	4,096,708
Insurance receivables^^	22,092	64	280,447	-	39,168	-	341,771
Other receivables	77,990	1,147	21,242	24,636	-	211,826	336,841
Derivative assets	-	-	-	12,646	-	-	12,646
Cash and bank balances	70,991	-	300	417	-	-	71,708
	8,338,302	41,802	5,749,457	1,889,452	40,514	1,683,940	17,743,467

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Exposure by rating (Contd.)

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

	Neither past-due nor impaired						
	*Investment grade RM'000 A to AAA	*Non-Investment grade RM'000 B to BBB	Not Rated RM'000	Unit-linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2013							
AFS financial assets							
Malaysian government paper	-	-	128,220	-	-	-	128,220
Singapore government securities	38,211	-	-	-	-	-	38,211
Debt securities, structured products and NCDs	1,172,287	-	181,307	-	-	-	1,353,594
Equity securities	-	-	-	-	-	1,415,396	1,415,396
Unit and property trust funds	-	-	-	-	-	220,946	220,946
Irredeemable loan stocks	-	-	-	-	-	10,548	10,548
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Malaysian government paper	-	-	371,683	-	-	-	371,683
Debt securities, structured products and NCDs	5,687,471	-	941,889	-	-	-	6,629,360
(ii) HFT							
Malaysian government paper	-	-	-	66,327	-	-	66,327
Debt securities, structured products and NCDs	-	-	-	888,394	-	-	888,394
Equity securities	-	-	-	493,904	-	-	493,904
Unit and property trust funds	-	-	-	18,013	-	-	18,013
LAR							
Fixed and call deposits	926,964	-	160,202	229,949	-	-	1,317,115
Financing receivables	-	-	265,899	-	1,232	-	267,131
Reinsurance assets	438,493	12,524	978,961	-	-	281,425	1,711,403
Insurance receivables^^	16,307	-	143,095	-	39,061	-	198,463
Other receivables	77,998	2	19,398	14,339	-	118,837	230,574
Derivative assets	-	-	4	13,274	-	-	13,278
Cash and bank balances	139,156	-	266	126	-	-	139,548
	8,496,887	12,526	3,190,924	1,724,326	40,293	2,047,152	15,512,108

* Based on ratings assigned by external rating agencies including RAM and MARC.
^^ Insurance receivables from agents/insurers/reinsurers licensed under Financial Services Act 2013 are classified under the "not rated" category.
# An ageing analysis for financial assets past due is provided.

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Credit Quality of Financial Assets

	Past due but not impaired				Impaired			
	< 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000	Original carrying amount RM'000	Allowance for impairment RM'000	Net carrying amount RM'000	Total RM'000
31.12.2014								
AFS financial assets								
- Debt securities	-	-	-	-	8,782	(8,782)	-	-
Financing receivables	50	48	1,248	1,346	2,385	(2,385)	-	1,346
Reinsurance assets	-	-	-	-	1,189	(1,189)	-	-
Insurance receivables	20,653	3,512	15,003	39,168	25,145	(25,145)	-	39,168
Other receivables	-	-	-	-	406	(406)	-	-
	20,703	3,560	16,251	40,514	37,907	(37,907)	-	40,514
31.12.2013								
AFS financial assets								
- Debt securities	-	-	-	-	12,274	(12,274)	-	-
Financing receivables	51	46	1,135	1,232	2,784	(2,784)	-	1,232
Reinsurance assets				-	36	(36)	-	-
Insurance receivables	22,858	4,559	11,644	39,061	31,475	(31,475)	-	39,061
Other receivables	-	-	-	-	549	(549)	-	-
	22,909	4,605	12,779	40,293	47,118	(47,118)	-	40,293

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account

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

	Debt securities RM'000	Financing receivables RM'000 (Note 11)	Reinsurance assets RM'000 (Note 12)	Insurance receivables RM'000 (Note 13)	Other receivables RM'000 (Note 14)	Total RM'000
2014						
Individual allowance						
At 1 January 2014	12,274	2,784	36	19,578	549	35,221
Allowance made/(recovered) during the year	(3,489)	(399)	1,153	(1,105)	(143)	(3,983)
Translation differences	(3)	-	-	1	-	(2)
At 31 December 2014	8,782	2,385	1,189	18,474	406	31,236
Collective allowance						
At 1 January 2014	-	-	-	11,897	-	11,897
Allowance made/(recovered) during the year	-	-	-	(4,732)	-	(4,732)
Attributable to disposal group held for sale (Note 16)	-	-	-	(504)	-	(504)
Translation differences	-	-	-	10	-	10
At 31 December 2014	-	-	-	6,671	-	6,671
Total as at 31 December 2014	8,782	2,385	1,189	25,145	406	37,907

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Reconciliation of allowance account (Contd.)

	Debt securities RM'000	Financing receivables RM'000 (Note 11)	Reinsurance assets RM'000 (Note 12)	Insurance receivables RM'000 (Note 13)	Other receivables RM'000 (Note 14)	Total RM'000
2013						
Individual allowance						
At 1 January 2013	12,263	2,376	-	17,534	773	32,946
Allowance made/(recovered) during the year	(11)	408	36	2,037	(224)	2,246
Translation differences	22	-	-	7	-	29
At 31 December 2013	12,274	2,784	36	19,578	549	35,221
Collective allowance						
At 1 January 2013	-	-	-	10,906	-	10,906
Allowance made/(recovered) during the year	-	-	-	973	-	973
Translation differences	-	-	-	18	-	18
At 31 December 2013	-	-	-	11,897	-	11,897
Total as at 31 December 2014	12,274	2,784	36	31,475	549	47,118

44. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (Contd.)

Financial Effects of Collateral Held

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

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash surrender value of policies
Corporate loans	Charges over properties being financed and bank guarantees
Secured staff/non-staff loans	Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigates credit risk, held for financing receivables is 96% as at 31 December 2014 (2013: 98%). The financing receivables amounted to RM262,383,084 as at 31 December 2014 (2013: RM273,139,810) are collaterised.

The remaining balance of financing receivables are not collateralised.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet short-term financial obligations without having to liquidate assets at discounted price.

The objective of liquidity risk management is to safeguard the Company's ability to meet all payments when they come due. Liquidity risk management will ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawal, claims and the maturity of liabilities.

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

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

(a) The Risk Management and Investment Management Department are actively monitoring the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform; and

(b) The Investment Management Department ensures that the established investment limits set takes care of reasonable liquidity requirements at all times.

Maturity Profiles

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

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

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

31.12.2014	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 assets:						
AFS	2,841,701	126,231	503,733	1,359,558	1,472,114	3,461,636
FVTPL	8,883,178	1,222,140	3,325,912	6,485,533	678,883	11,712,468
LAR	894,483	894,483	-	-	-	894,483
Financing receivables	264,431	232,354	16,350	30,598	-	279,302
Reinsurance assets*	3,717,452	887,970	619,397	2,216,768	-	3,724,135
Insurance receivables	341,771	341,771	-	-	-	341,771
Other receivables	336,841	336,841	-	-	-	336,841
Derivative assets	12,646	-	12,646	-	-	12,646
Cash and bank balances	71,708	71,708	-	-	-	71,708
Total assets	17,364,211	4,113,497	4,478,038	10,092,457	2,150,997	20,834,990
Insurance contract liabilities*	13,576,569	4,453,314	2,435,524	11,001,968	-	17,890,806
Subordinated obligation	500,000	20,650	82,600	582,600	-	685,850
Derivative liabilities	15,134	697	14,438	-	-	15,135
Insurance payables	373,346	373,346	-	-	-	373,346
Other payables	318,997	318,997	-	-	-	318,997
Interest payable on subordinated obligation	10,071	10,071	-	-	-	10,071
Total liabilities	14,794,117	5,177,075	2,532,562	11,584,568	-	19,294,205

44. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

31.12.2013	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 assets:						
AFS	3,166,915	151,044	496,642	1,381,762	1,636,342	3,665,790
FVTPL	8,467,681	777,135	3,536,139	5,154,848	511,917	9,980,039
LAR	1,317,115	1,317,115	-	-	-	1,317,115
Financing receivables	267,131	232,639	12,295	31,057	-	275,991
Reinsurance assets*	1,430,050	861,530	533,905	39,345	-	1,434,780
Insurance receivables	198,463	198,463	-	-	-	198,463
Other receivables	230,574	230,574	-	-	-	230,574
Derivative assets	13,278	24	13,254	-	-	13,278
Cash and bank balances	139,548	139,548	-	-	-	139,548
Total financial and insurance assets	15,230,755	3,908,072	4,592,235	6,607,012	2,148,259	17,255,578
Insurance contract liabilities*	10,906,211	3,830,895	3,455,944	7,901,613	-	15,188,452
Subordinated obligation	500,000	20,650	82,600	603,250	-	706,500
Derivative liabilities	3,051	304	2,747			3,051
Insurance payables	211,556	211,556	-	-	-	211,556
Other payables	364,933	364,933	-	-	-	364,933
Interest payable on subordinated obligation	10,183	10,183	-	-	-	10,183
Total financial and insurance liabilities	11,985,751	4,428,338	3,541,291	8,504,863	-	16,474,492

* Excluding premium liabilities

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three (3) types of risk:

(a) Foreign exchange rates (currency risk);
(b) Market interest rates/profit yields (interest rate risk); and
(c) Equity price risk

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

(a) A company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable;

(b) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policy after taking cognisance of regulatory requirements in respect of maintenance of assets and solvency.

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues investment-linked policies in a number of its products. In the investment-linked business, the policyholder bears the investment risk on the assets held in the investment-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of market risk in the following pages do not include analysis on the impact of such risks on the investment-linked funds.

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(a) Currency Risk

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

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

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

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

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

(b) Interest Rate Risk

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

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

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(b) Interest Rate Risk (Contd.)

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

(a) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
(b) Set the benchmark for asset duration in line with risk appetite; and
(c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

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

		31.12.2014			31.12.2013		
Funds	Changes in variables	Impact on gross/net insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on gross/net insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		(Decrease)/increase			(Decrease)/increase		
Shareholders	+100 basis points	-	-	(50,299)	-	-	(49,877)
	-100 basis points	-	-	50,299	-	-	49,877
General	+100 basis points	-	-	(18,923)	-	-	(20,307)
	-100 basis points	-	-	18,923	-	-	20,307
Life	+100 basis points	(246,094)	(226,816)	(170,112)	(228,112)	(198,211)	(148,658)
	-100 basis points	246,094	226,816	170,112	228,112	198,211	148,658

* Impact on equity is after tax of 25%

44. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (Contd.)

(c) Equity Price Risk

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

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

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

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

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

			<---- 31.12.2014 ---->			<---- 31.12.2013 ---->		
Funds	Market Index	Changes in variables	Impact on gross/net insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on gross/net insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
			<---- (Decrease)/increase ---->			<---- (Decrease)/increase ---->		
Shareholder's	Bursa Malaysia	+10%	-	-	25,138	-	-	24,900
		-10%	-	-	(25,138)	-	-	(24,900)
General	Bursa Malaysia	+10%	-	-	5,886	-	-	6,189
		-10%	-	-	(5,886)	-	-	(6,189)
Life	Bursa Malaysia	+10%	-	-	74,826	-	-	76,558
		-10%	-	-	(74,826)	-	-	(76,558)

* Impact on equity is after tax of 25%

44. FINANCIAL RISKS (CONTD.)

(iv) Operational Risk

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

"Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk."

ORM methodology is comprised of the components summarised in Diagram 2.

Diagram 2

45. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

(iii) Insurance Receivables and Payables

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

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(vi) and 2.2(viii)(a). The carrying amounts and fair values of investments are disclosed in Note 9 to the financial statements.

Description of Overall Fair Value Framework

The Company has an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuations of financial instruments.

Fair value information has not been disclosed for the Company's investments in unquoted shares that are carried at cost because the fair value cannot be measured reliably. The investment represents ordinary shares in various organizations which are not quoted on any markets and the variability in the range of reasonable fair value estimates derived from valuation techniques is significant.

The valuations of financial instruments are performed either based on quoted prices in active markets at which an arm's length transaction would be likely to occur or using valuation techniques. Fair values of financial instruments can be assessed using observable inputs or unobservable inputs where one or more significant inputs are unobservable. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

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

(iv) Investments (Contd.)

Description of Overall Fair Value Framework (Contd.)

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

In addition, the Company continuously enhances its design and validation methodologies and processes used to produce valuations. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for its intended use.

Description of Overall Definition of the Fair Value Hierarchy

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

- Level 1 : Active Market – Quoted price

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

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

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

  Examples of level 2 financial instruments include corporate and government bonds and less liquid equities.

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

  Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. 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 highly structured over the counter derivatives.

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

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

	Valuation techniques used: Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	Total RM'000
31.12.2014				
Assets				
AFS financial assets				
Equity securities	1,315,044	-	-	1,315,044
Malaysian government papers	-	95,915	-	95,915
Debt securities, structured products and NCDs	-	1,273,672	-	1,273,672
Unit and property trust funds	54,819	-	-	54,819
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	231,195	-	231,195
Debt securities, structured products and NCDs	-	6,978,798	-	6,978,798
(ii) HFT				
Equity securities	663,921	-	-	663,921
Malaysian government papers	-	65,182	-	65,182
Debt securities, structured products and NCDs	-	929,120	-	929,120
Unit and property trust funds	14,962	-	-	14,962
Derivative assets	-	12,646	-	12,646
Total assets	2,048,746	9,586,528	-	11,635,274
Liabilities				
Subordinated obligation	-	(497,535)	-	(497,535)
Derivative Liabilities	-	(15,134)	-	(15,134)
Total liabilities	-	(512,669)	-	(512,669)

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

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

	Valuation techniques used:			
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	Total RM'000
31.12.2013				
Assets				
AFS financial assets				
Equity securities	1,313,145	-	-	1,313,145
Malaysian government papers	-	128,220	-	128,220
Singapore government securities	-	38,211	-	38,211
Debt securities, structured products and NCDs	58,356	1,295,238	-	1,353,594
Irredeemable loan stock	10,548	-	-	10,548
Unit and property trust funds	220,946	-	-	220,946
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	371,683	-	371,683
Debt securities, structured products and NCDs	-	6,629,360	-	6,629,360
(ii) HFT				
Equity securities	493,904	-	-	493,904
Malaysian government papers	-	66,327	-	66,327
Debt securities, structured products and NCDs	-	888,394	-	888,394
Unit and property trust funds	18,013	-	-	18,013
Derivative assets	-	-	13,278	13,278
Total assets	2,114,912	9,417,433	13,278	11,545,623
Liabilities				
Subordinated obligation	-	(495,744)	-	(495,744)
Derivative Liabilities	-	-	(3,051)	(3,051)
Total liabilities	-	(495,744)	(3,051)	(498,795)

Unquoted equities securities of RM102,251,154 (2013: RM102,251,154) as disclosed in Note 9 are not included in the above analysis as they are carried at cost.

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

(b) Reconciliation of level 3 fair value hierarchy

	Financial instruments measured at fair value		
	Derivative assets RM'000	**Derivative liabilities RM'000**	**Total RM'000**
2014			
At 1 January 2014	13,278	(3,051)	10,227
Transfer out of Level 3	(13,278)	3,051	(10,227)
At 31 December 2014	-	-	-
Total losses recognised in Income Statement for financial instruments measured at fair value at the end of the reporting year	-	-	-

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

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

	Financial instruments measured at fair value		
	Derivative assets RM'000	Derivative liabilities RM'000	Total RM'000
2013			
At 1 January 2013	688	-	688
Recognised in Income Statement:			
Realised loss	(757)	-	(757)
Fair value loss	(2,585)	(3,051)	(5,636)
Purchases	15,175	-	15,175
Settlements	757	-	757
At 31 December 2013	13,278	(3,051)	10,227
Total losses/(gains) recognised in Income Statement for financial instruments measured at fair value at the end of the reporting period	(3,342)	(3,051)	(6,393)

46. SIGNIFICANT EVENT

On 27 August 2013, BNM has approved the proposed transfer of the Company's Singapore Branch's general insurance business to its related party, Etiqa Insurance Pte. Ltd. ("EIPL"). On 17 October 2014, Monetary Authority of Singapore ("MAS") has approved the proposed transfer under Section 49FB of the Insurance Act (Cap 142) from the Company to EIPL. On 27 January 2015, the High Court of Singapore has approved the Scheme of Transfer ("SOT") which will take effect on 1 April 2015. Upon completion of the SOT, the Company will surrender it's Singapore Branch licence.

47. REGULATORY CAPITAL REQUIREMENT

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

	31.12.2014 RM'000	31.12.2013 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	152,151	152,151
Reserves, including retained earnings	4,455,043	3,840,620
	4,607,194	3,992,771
Tier 2 Capital		
Revaluation reserve	11,647	11,647
Available-for-sale reserves	61,356	233,329
Subordinated term debts	500,000	500,000
Currency translation reserve	32,450	25,150
	605,453	770,126
Amount deducted from Capital	(72,662)	(75,860)
Total Capital Available	5,139,985	4,687,037

48. COMPARATIVE FIGURES

Certain comparative figures have been restated following reclassification of items in the statement of financial position.

Reconciliation of statement of financial position for comparative periods and previously reported balances are as follows:-

(a) Statement of financial position as at 1 January 2013

	As previously stated at 1.1.2013 RM'000	Reclassification RM'000	As restated at 1.1.2013 RM'000
Assets			
Derivatives, net	688	(688)	-
Derviative assets	-	688	688
Liabilities			
Insurance contract liabilities	12,637,370	(11,738)	12,625,632
Other payables	295,472	11,738	307,210

(b) Statement of financial position as at 31 December 2013

	As previously stated at 31.12.2013 RM'000	Reclassification RM'000	As restated at 31.12.2013 RM'000
Assets			
Derivatives, net	10,227	(10,227)	-
Derviative assets	-	13,278	13,278
Liabilities			
Insurance contract liabilities	12,285,316	(17,663)	12,267,653
Derivative liabilities	-	3,051	3,051
Other payables	347,330	17,663	364,993

48. COMPARATIVE FIGURES (CONTD.)

Reconciliation of income statement and the statement of comprehensive income for the comparative period and previously reported balances are as follows:

(a) Income statement for the year ended 31 December 2013

	As previously stated 2013 RM'000	Reclassification RM'000	As restated 2013 RM'000
NET BENEFIT AND CLAIMS PAID			
Gross Benefits and Claims Paid	(1,984,316)	(5,925)	(1,990,241)
Gross Change in Contract Liabilities	375,068	5,925	380,993

49. INSURANCE FUNDS

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

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

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

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

49. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total			Shareholder's and General Fund			Life Fund		
	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)	31.12.2014 RM'000	31.12.2013 RM'000	1.1.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)
Assets:									
Property, plant and equipment	112,450	112,934	111,087	59,604	61,840	62,510	52,846	51,094	48,577
Investment properties	586,929	574,536	569,704	50,034	50,144	45,464	536,895	524,392	524,240
Prepaid land lease payments	19,571	19,874	20,341	9,808	9,960	10,113	9,763	9,914	10,228
Intangible assets	30,049	23,119	25,827	17,118	7,158	1,835	12,931	15,961	23,992
Investment in associate	152	152	152	152	152	152	-	-	-
Investments	12,619,362	12,951,711	13,265,325	2,111,721	2,397,805	2,322,616	10,507,641	10,553,906	10,942,709
Financing receivables	264,431	267,131	266,379	8,754	9,961	10,677	255,677	257,170	255,702
Reinsurance assets	4,096,708	1,711,403	1,690,576	4,070,842	1,683,754	1,656,763	25,866	27,649	33,813
Insurance receivables	341,771	198,463	371,823	304,176	159,862	340,790	37,595	38,601	31,033
Other receivables	336,841	230,574	248,297	116,502	84,799	76,415	220,339	145,775	171,882
Derivative assets	12,646	13,278	688	-	-	23	12,646	13,278	665
Current tax assets	63,691	39,226	6,602	86,298	47,458	4,302	(22,607)	(8,232)	2,300
Cash and bank balances	71,708	139,548	159,820	45,809	85,097	86,529	25,899	54,451	73,291
	18,556,309	16,281,949	16,736,621	6,880,818	4,597,990	4,618,189	11,675,491	11,683,959	12,118,432
Assets classified as held for sale (Note 16)	391,249	-	-	391,249	-	-	-	-	-
Total Assets	18,947,558	16,281,949	16,736,621	7,272,067	4,597,990	4,618,189	11,675,491	11,683,959	12,118,432

49. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Total			Shareholder's and General Fund			Life Fund		
	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)	31.12.2014 RM'000	31.12.2013 RM'000	1.1.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)
Equity and liabilities:									
Share capital	152,151	152,151	152,151	152,151	152,151	152,151	-	-	-
Reserves	2,626,494	2,337,224	2,442,451	2,626,494	2,337,224	2,442,451	-	-	-
	2,778,645	2,489,375	2,594,602	2,778,645	2,489,375	2,594,602	-	-	-
Insurance contract liabilities	14,225,965	12,267,653	12,625,632	4,746,845	2,530,563	2,504,098	9,479,120	9,737,090	10,121,534
Subordinated obligation	500,000	500,000	-	500,000	500,000	-	-	-	-
Derivative liabilities	15,134	3,051	-	-	90	-	15,134	2,961	-
Deferred tax liabilities, net	464,802	435,198	429,499	438,117	397,945	373,306	26,685	37,253	56,193
Insurance payables	373,346	211,556	405,177	348,841	188,403	378,684	24,505	23,153	26,493
Other payables[1]	318,997	364,933	307,210	(1,811,050)	(1,518,569)	(1,617,827)	2,130,047	1,883,502	1,925,037
Interest payable for subordinated obligation	10,071	10,183	-	10,071	10,183	-	-	-	-
Dividend payable	-	-	350,329	-	-	350,329	-	-	-
Current tax liabilities	-	-	24,172	-	-	34,997	-	-	(10,825)
	15,908,315	13,792,574	14,142,019	4,232,824	2,108,615	2,023,587	11,675,491	11,683,959	12,118,432
Liabilities directly associated with assets classified as held for sale (Note 16)	260,598	-	-	260,598	-	-	-	-	-
Total Liabilities	16,168,913	13,792,574	14,142,019	4,493,422	2,108,615	2,023,587	11,675,491	11,683,959	12,118,432
Total equity and liabilities	18,947,558	16,281,949	16,736,621	7,272,067	4,597,990	4,618,189	11,675,491	11,683,959	12,118,432
Inter fund balances	-	-	-	(1,879,708)	(1,618,097)	(1,708,351)	1,879,708	1,618,097	1,708,351

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

49. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 (Restated)
Operating revenue	3,362,391	3,065,493	61,095	70,064	1,570,163	1,457,936	1,731,133	1,537,493
Gross earned premiums	2,523,037	2,351,311	-	-	1,295,177	1,320,426	1,227,860	1,030,885
Earned premiums ceded to reinsurers	(826,533)	(828,173)	-	-	(800,395)	(807,899)	(26,138)	(20,274)
Net earned premiums	1,696,504	1,523,138	-	-	494,782	512,527	1,201,722	1,010,611
Fee and commission income	53,065	58,560	-	-	50,491	52,989	2,574	5,571
Investment income	594,006	606,578	61,093	70,064	29,639	29,905	503,274	506,609
Realised gains	294,461	393,170	52,888	60,164	15,858	21,827	225,715	311,179
Fair value (losses)/gains	(29,455)	(266,646)	792	4,687	(208)	(622)	(30,039)	(270,711)
Other operating (expenses)/income, net	(22,730)	782	(7,518)	(1,740)	1,260	1,600	(16,472)	922
Other revenue	889,347	792,444	107,255	133,175	97,040	105,699	685,052	553,570
Gross benefits and claims paid	(2,976,142)	(1,990,241)	-	-	(1,445,108)	(471,256)	(1,531,034)	(1,518,985)
Claims ceded to reinsurers	1,207,097	213,300	-	-	1,187,139	195,280	19,958	18,020
Gross change in contract liabilities	(2,144,733)	381,705	-	-	(2,312,862)	(23,846)	168,129	405,551
Change in contract liabilities ceded to reinsurers	2,299,833	11,705	-	-	2,301,615	17,869	(1,782)	(6,164)
Net benefits and claims	(1,613,945)	(1,383,531)	-	-	(269,216)	(281,953)	(1,344,729)	(1,101,578)
Management expenses	(270,664)	(276,846)	(11,534)	(3,184)	(137,415)	(138,221)	(121,715)	(135,441)
Fee and commission expenses	(165,876)	(168,185)	-	-	(83,437)	(97,356)	(82,439)	(70,829)
Interest on subordinated obligation	(20,650)	(10,183)	(20,650)	(10,183)	-	-	-	-
Taxation borned by policyholders	(47,050)	(31,061)	-	-	-	-	(47,050)	(31,061)
Other expenses	(504,240)	(486,275)	(32,184)	(13,367)	(220,852)	(235,577)	(251,204)	(237,331)
	467,666	445,776	75,071	119,808	101,754	100,696	290,841	225,272
Surplus transfer from:								
- General Funds	-	-	85,666	88,032	(85,666)	(88,032)	-	-
- Life Par Funds	-	-	9,392	8,555	-	-	(9,392)	(8,555)
- Life Non-Par Funds	-	-	281,449	216,717	-	-	(281,449)	(216,717)
Profit before tax from continuing operations	467,666	445,776	451,578	433,112	16,088	12,664	-	-
Taxation	(124,213)	(69,847)	(96,130)	(49,866)	(28,083)	(19,981)	-	-
Net profit for the year from continuing operations	343,453	375,929	355,448	383,246	(11,995)	(7,317)	-	-
Net profit for the year from discontinuing operation	11,995	7,317	-	-	11,995	7,317	-	-
Net profit for the year	355,448	383,246	355,448	383,246	-	-	-	-

49. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000 (Restated)
Cash flows from:								
Operating activities	264,301	(474,446)	78,637	201,789	(62,089)	72,157	247,753	(748,392)
Investing activities	(286,226)	754,681	(58,077)	100,042	48,156	(74,913)	(276,305)	729,552
Financing activities	(20,763)	(300,507)	(20,763)	(300,507)	-	-	-	-
Net (decrease)/increase in cash and cash equivalents	(42,688)	(20,272)	(203)	1,324	(13,933)	(2,756)	(28,552)	(18,840)
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial year	139,548	159,820	3,348	2,024	81,749	84,505	54,451	73,291
Attributable to disposal group held for sale (Note 16)	(25,152)	-	-	-	(25,152)	-	-	-
Cash and cash equivalents at end of financial year	71,708	139,548	3,145	3,348	42,664	81,749	25,899	54,451