



ETIQA INSURANCE BERHAD

(9557 T)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
for the six months period ended 30 June 2016**

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	30.6.2016 RM'000	31.12.2015 RM'000
Assets:			
Property, plant and equipment		114,368	112,897
Investment properties		729,780	713,901
Prepaid land lease payments		19,116	19,267
Intangible assets		56,270	47,671
Investment in associate		152	152
Investments	11	11,335,926	11,694,701
Financing receivables		250,286	255,718
Reinsurance assets	12	3,997,107	3,272,164
Insurance receivables		426,705	324,615
Other receivables		262,633	260,428
Derivative assets		3,418	2,610
Current tax assets		55,038	30,013
Cash and bank balances		176,994	74,656
Total Assets		<u>17,427,793</u>	<u>16,808,793</u>
Assets classified as held for sale		-	787
		<u>17,427,793</u>	<u>16,809,580</u>
Equity and liabilities:			
Share capital		152,151	152,151
Reserves		2,470,828	2,543,114
Total Equity		<u>2,622,979</u>	<u>2,695,265</u>
Insurance contract liabilities	13	12,809,321	12,380,520
Subordinated obligation		500,000	500,000
Derivative liabilities		38,415	59,283
Deferred tax liabilities, net		544,717	516,255
Insurance payables		494,409	356,098
Other payables		407,924	292,032
Interest payable for subordinated obligation		10,028	10,127
Total Liabilities		<u>14,804,814</u>	<u>14,114,315</u>
Total Equity and Liabilities		<u>17,427,793</u>	<u>16,809,580</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	30.6.2016	30.6.2015
	RM'000	RM'000
Operating revenue	<u>1,603,484</u>	<u>1,675,936</u>
Gross earned premiums	1,336,385	1,236,934
Earned premiums ceded to reinsurers	<u>(586,682)</u>	<u>(486,799)</u>
Net earned premiums	<u>749,703</u>	<u>750,135</u>
Fee and commission income	40,306	19,710
Investment income	258,837	282,825
Realised gains	85,577	97,109
Fair value gain	105,574	54,538
Other operating expenses	<u>(43,136)</u>	<u>(28,421)</u>
Other revenue	<u>447,158</u>	<u>425,761</u>
Gross benefits and claims paid	(1,280,060)	(1,758,079)
Claims ceded to reinsurers	255,510	249,868
Gross change to contract liabilities	(449,140)	1,141,626
Change in contract liabilities ceded to reinsurers	<u>694,015</u>	<u>(400,339)</u>
Net benefits and claims	<u>(779,675)</u>	<u>(766,924)</u>
Management expenses	(136,303)	(143,782)
Fee and commission expenses	(85,683)	(78,138)
Interest on subordinated obligation	(10,254)	(10,240)
Taxation borne by policyholders	<u>(22,922)</u>	<u>(21,352)</u>
Other expenses	<u>(255,162)</u>	<u>(253,512)</u>
Profit before tax from continuing operations	162,024	155,460
Taxation	<u>(35,645)</u>	<u>(34,325)</u>
Net profit for the period from continuing operations	<u>126,379</u>	<u>121,135</u>
Discontinued operation:		
Net profit for the period from discontinued operation	-	147
Net profit for the period	<u>126,379</u>	<u>121,282</u>
Earnings per share (sen) from continuing operations		
Basic	<u>83.06</u>	<u>79.61</u>
Earnings per share (sen) from discontinued operation		
Basic	-	0.10

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ETIQA INSURANCE BERHAD
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**UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

	30.6.2016	30.6.2015
	RM'000	RM'000
Net profit for the period	<u>126,379</u>	<u>121,282</u>
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Change in value of AFS financial assets, net		
- Fair value changes	(10,514)	38,636
- Transfer to profit or loss upon disposal	(17,563)	(45,602)
- Fair value adjustment for AFS financial asset backing Participating Fund	30,604	17,615
Tax effect relating to AFS financial assets	(420)	(2,888)
	<u>2,107</u>	<u>7,761</u>
Currency translation differences		
- Currency fluctuation	(693)	2,040
- Transfer to profit or loss upon disposal	-	(31,201)
	<u>(693)</u>	<u>(29,161)</u>
Other comprehensive income/(loss) from continuing operations for the period, net of tax	1,414	(21,400)
Other comprehensive income from discontinued operation for the period, net of tax	-	6,433
Total other comprehensive income/(loss) net of tax	<u>1,414</u>	<u>(14,967)</u>
Total comprehensive income for the period	<u><u>127,793</u></u>	<u><u>106,315</u></u>
Comprising of:		
- Continuing operations	127,793	99,735
- Discontinued operation	-	6,580
	<u><u>127,793</u></u>	<u><u>106,315</u></u>

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**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

	←-----Non-distributable----->					Retained Earnings			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Available- for-Sale Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-Par Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	
As at 1.1.2016	152,151	17,728	19,705	11,647	13,565	1,546,328	934,141	2,480,469	2,695,265
Net profit for the period	-	-	-	-	-	55,194	71,185	126,379	126,379
Other comprehensive income/ (losses) for the period	-	-	2,107	-	(693)	-	-	-	1,414
Total comprehensive income/ (losses) for the period	-	-	2,107	-	(693)	55,194	71,185	126,379	127,793
Dividend on ordinary shares	-	-	-	-	-	-	(200,079)	(200,079)	(200,079)
As at 30.6.2016	152,151	17,728	21,812	11,647	12,872	1,601,522	805,247	2,406,769	2,622,979
As at 1.1.2015	152,151	17,728	(1,876)	11,647	32,450	1,404,524	1,162,021	2,566,545	2,778,645
Net profit for the period	-	-	-	-	-	39,063	82,219	121,282	121,282
Other comprehensive income/ (losses) for the period	-	-	8,339	-	(23,306)	-	-	-	(14,967)
Total comprehensive income/ (losses) for the period	-	-	8,339	-	(23,306)	39,063	82,219	121,282	106,315
Dividend on ordinary shares	-	-	-	-	-	-	(370,032)	(370,032)	(370,032)
As at 30.6.2015	152,151	17,728	6,463	11,647	9,144	1,443,587	1,244,240	2,687,827	2,514,928

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ETIQA INSURANCE BERHAD
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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	30.6.2016	30.6.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:		
- Continuing operations	162,024	155,460
- Discontinued operation	-	866
	<u>162,024</u>	<u>156,326</u>
Adjustments for:		
Taxation borne by policyholders	22,922	21,352
Depreciation of property, plant and equipment	4,817	5,375
Amortisation of intangible assets	2,994	8,683
Fair value gain on financial assets at FVTPL	(105,574)	(9,538)
Fair value gain on investment property	-	(45,000)
Amortisation of prepaid land lease payments	152	152
Amortisation of premium on investments	5,111	6,524
Net loss/(gain) on foreign exchange	29,001	(44,459)
Allowance/(write back) of impairment of reinsurance assets	(1,418)	(923)
Write back of impairment of insurance receivables	(2,704)	(875)
Bad debt written off	359	4,514
Allowance for impairment of other receivables	109	30
Allowance/(write back) of impairment of financing receivables	280	(18)
Net gain on disposal of investments	(58,165)	(97,109)
Gain on disposal of asset held for sale	(27,412)	-
Non cash items relating to discontinued operations	-	(1,462)
Interest income	(232,711)	(249,018)
Interest expense	10,254	10,240
Allowance of impairment on investments	19,917	70,878
Gross dividend income	(15,922)	(27,107)
Rental income	(15,947)	(13,234)
Loss from operations before changes in operating assets and liabilities	(201,913)	(204,669)
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(723,525)	288,211
Increase in insurance receivables	(99,745)	(240,292)
Decrease in other receivables	16,047	105,276
Decrease in financing receivables	5,152	4,412
Increase in amount due to related parties	(6,408)	(5,786)
Increase in other payables	103,706	50,230
Increase/(decrease) in insurance contract liabilities	457,401	(1,005,357)
Increase in insurance payables	138,311	208,321
Decrease/(increase) in LAR	505,098	(302,514)
Interest income received	217,387	268,088
Dividend income received	18,258	29,671
Rental income received	16,045	11,422
Carried forward	<u>445,814</u>	<u>(792,987)</u>

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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONTD.)

	30.6.2016	30.6.2015
	RM'000	RM'000
Brought forward	445,814	(792,987)
Currency translation reserves	(693)	7,895
Tax paid	(53,537)	(24,642)
Net cash generated from/(used in) operating activities	<u>391,584</u>	<u>(809,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	4,875,035	5,642,026
Purchase of investments	(4,948,179)	(4,347,840)
Purchase of property, plant and equipment	(6,425)	(2,083)
Addition to investment properties under constructions ("IPUC")	(15,879)	(9,603)
Proceeds from disposal of intangible assets	188	-
Purchase of intangible assets	(11,644)	(11,103)
Proceeds from disposal of branch	-	135,478
Proceeds from disposal of asset held for sale	28,090	-
Net cash (used in)/generated from investing activities	<u>(78,814)</u>	<u>1,406,875</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(200,079)	(370,032)
Interest paid for subordinated obligation	(10,353)	(10,297)
Net cash used in financing activity	<u>(210,432)</u>	<u>(380,329)</u>
Net increase in cash and cash equivalents	102,338	216,812
Cash and cash equivalents at beginning of period	<u>74,656</u>	<u>71,708</u>
Cash and cash equivalents at end of period	<u>176,994</u>	<u>288,520</u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	68,054	40,550
Life insurance fund	108,940	247,970
	<u>176,994</u>	<u>288,520</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Company for the interim financial period ended 30 June 2016 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 - *Interim Financial Reporting* as issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* as issued by International Accounting Standards Board ("IASB") and Guidelines/Circulars issued by Bank Negara Malaysia.

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

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

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2015.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2015 except for the following MFRSs, Amendments to MFRSs and Annual Improvements which effective for annual periods beginning on or after 1 January 2016:

MFRS 10 *Consolidated Financial Statements* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)

MFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)

MFRS 12 *Disclosure of Interests in Other Entities* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 12)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONTD.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 14 *Regulatory Deferral Accounts*

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

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

MFRS 127 *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments to MFRS 127)

MFRS 128 *Investment in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)

MFRS 128 *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)

MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)

Annual Improvements to MFRSs 2012 - 2014 Cycle

The Company do not expect that the adoptions of the above MFRSs, Amendments to MFRSs and Annual Improvements will have significant financial implications in the unaudited condensed interim financial statements.

3. STATUS OF AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2015 did not contain any qualification.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period ended 30 June 2016.

However, as is common for insurers licensed under Financial Services Act 2013, surplus will only be transferred at the financial year end upon approval by the Appointed Actuary.

5. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2016.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONTD.)

6. CHANGES IN ESTIMATES

There were no changes in the basis used for accounting estimates for the current interim financial period.

7. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities for the interim financial period ended 30 June 2016.

8. DIVIDEND PAID

The shareholder at the Annual General Meeting held on 4 April 2016 approved a final single tier dividend of 131.50 sen per share totalling RM200,079,090 in respect of financial year ended 31 December 2015. The final dividend was paid on 25 May 2016.

9. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

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

10. CHANGES IN THE COMPOSITION OF THE COMPANY

There was no change in the composition of the Company during the interim financial period ended 30 June 2016.

ETIQA INSURANCE BERHAD
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11. INVESTMENTS

	30.6.2016	31.12.2015
	RM'000	RM'000
Malaysian government papers	465,359	454,907
Debt securities	7,381,037	6,201,112
Equity securities	1,368,833	1,905,084
Unit and property trust funds	100,727	63,627
Redeemable loan stock	57	7
Structured products	570,294	1,047,258
Negotiable certificates of deposit ("NCD")	145,484	213,473
Deposits with financial institutions	1,304,135	1,809,233
	<u>11,335,926</u>	<u>11,694,701</u>

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

	30.6.2016	31.12.2015
	RM'000	RM'000
Available-for-sale ("AFS")	2,130,151	2,494,419
Fair value through profit and loss ("FVTPL")		
- designated upon initial recognition	6,670,650	5,795,087
- held for trading ("HFT")	1,230,990	1,595,962
Loan and receivables ("LAR")	1,304,135	1,809,233
	<u>11,335,926</u>	<u>11,694,701</u>

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

	30.6.2016	31.12.2015
	RM'000	RM'000
AFS	1,290,223	1,152,886
FVTPL		
- designated upon initial recognition	6,533,847	5,535,261
- HFT	378,428	268,545
	<u>8,202,498</u>	<u>6,956,692</u>

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11. INVESTMENTS (CONTD.)

	30.6.2016	31.12.2015
	RM'000	RM'000
(a) AFS		
<u>Fair value</u>		
Malaysian government papers	88,642	239,014
Unquoted debt securities in Malaysia	1,228,020	975,879
Equity securities:		
Quoted in Malaysia	671,885	1,120,686
Quoted outside Malaysia	3,796	8,617
Unit and property trust funds:		
Quoted in Malaysia	50,052	50,056
Quoted outside Malaysia	35,505	-
Structured products	-	47,916
	2,077,900	2,442,168
<u>Cost</u>		
Equity securities:		
Unquoted in Malaysia		
Cost	55,032	55,032
Less: Allowance for impairment losses	(2,781)	(2,781)
	52,251	52,251
Total AFS financial assets	2,130,151	2,494,419

	30.6.2016	31.12.2015
	RM'000	RM'000
(b) FVTPL		
(i) Designated upon initial recognition		
<u>Fair value</u>		
Malaysian government papers	232,886	130,330
Debt securities:		
Unquoted in Malaysia	5,740,708	4,854,392
Unquoted outside Malaysia	171,252	183,009
Structured products	380,320	413,883
Negotiable certificate of deposits	145,484	213,473
	6,670,650	5,795,087

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11. INVESTMENT (CONTD.)

	30.6.2016	31.12.2015
	RM'000	RM'000
(b) FVTPL (Contd.)		
(ii) HFT		
<u>Fair value</u>		
Malaysian government papers	143,831	85,563
Unquoted debt securities in Malaysia	241,057	187,832
Quoted equity securities in Malaysia	640,901	723,530
Unit and property trust funds:		
Quoted in Malaysia	6,058	4,842
Quoted outside Malaysia	9,112	8,729
Redeemable loan stock	57	7
Structured products	189,974	585,459
	<u>1,230,990</u>	<u>1,595,962</u>
 Total FVTPL financial assets	 <u>7,901,640</u>	 <u>7,391,049</u>
	 30.6.2016	 31.12.2015
	RM'000	RM'000
(c) LAR		
Fixed and call deposits with:		
Licensed banks	981,138	1,464,162
Other financial institutions	322,997	345,071
Total LAR financial assets	<u>1,304,135</u>	<u>1,809,233</u>
	 <u>11,335,926</u>	 <u>11,694,701</u>

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 fixed and call deposits pledged to obtain a banking facility from Malayan Banking Berhad ("MBB") which amounted to RM35,000,000 (31.12.2015: RM35,000,000).

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

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12. REINSURANCE ASSETS

	30.06.2016	31.12.2015
	RM'000	RM'000
Reinsurers' share of:		
- Life insurance contract liabilities (Note 13)	22,410	22,139
- General insurance contract liabilities (Note 13)	3,976,702	3,253,448
	<u>3,999,112</u>	<u>3,275,587</u>
Allowance for impairment losses	(2,005)	(3,423)
	<u>3,997,107</u>	<u>3,272,164</u>

13. INSURANCE CONTRACT LIABILITIES

	←----- 30.6.2016 ----->			←----- 31.12.2015 ----->		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Note 12)			(Note 12)	
Life insurance (Note A)	8,177,001	(22,410)	8,154,591	8,440,874	(22,139)	8,418,735
General insurance (Note B)	4,632,320	(3,976,702)	655,618	3,939,646	(3,253,448)	686,198
	<u>12,809,321</u>	<u>(3,999,112)</u>	<u>8,810,209</u>	<u>12,380,520</u>	<u>(3,275,587)</u>	<u>9,104,933</u>

(A) Life Insurance

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

(i) Life insurance contract liabilities

	←----- 30.6.2016 ----->			←----- 31.12.2015 ----->		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Claims liabilities	62,588	(1,377)	61,211	63,286	(2,639)	60,647
Actuarial liabilities	6,058,030	(21,033)	6,036,997	5,926,062	(19,500)	5,906,562
Participating fund unallocated surplus	680,049	-	680,049	653,059	-	653,059
Participating fund AFS reserve	45,742	-	45,742	74,343	-	74,343
NAV attributable to unitholders	1,330,592	-	1,330,592	1,724,124	-	1,724,124
	<u>8,177,001</u>	<u>(22,410)</u>	<u>8,154,591</u>	<u>8,440,874</u>	<u>(22,139)</u>	<u>8,418,735</u>

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13. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

(ii) Movements of life insurance contract liabilities

30.6.2016	Claims Liabilities RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Participating fund AFS reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2016	63,286	5,926,062	653,059	74,343	1,724,124	8,440,874	(22,139)	8,418,735
Net earned premiums	-	-	199,061	-	112,775	311,836	-	311,836
Other revenue	-	-	197,164	-	2,057	199,221	-	199,221
Net benefits and claims	(698)	-	(234,832)	-	(508,204)	(743,734)	(1,377)	(745,111)
Other expenses	-	-	(27,255)	-	(27)	(27,282)	-	(27,282)
Change in Reserve :								
- Discounting	-	195,897	(98,155)	-	-	97,742	(339)	97,403
- Assumptions	-	85	(713)	-	-	(628)	-	(628)
- Policy movements	-	(64,014)	241	-	-	(63,773)	1,445	(62,328)
Changes in AFS reserve	-	-	-	(30,604)	-	(30,604)	-	(30,604)
Taxation	-	-	(13,980)	2,003	(133)	(12,110)	-	(12,110)
Transferred from shareholder	-	-	5,459	-	-	5,459	-	5,459
As at 30.6.2016	<u>62,588</u>	<u>6,058,030</u>	<u>680,049</u>	<u>45,742</u>	<u>1,330,592</u>	<u>8,177,001</u>	<u>(22,410)</u>	<u>8,154,591</u>

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13. INSURANCE CONTRACT LIABILITIES (CONTD.)

(A) Life Insurance (Contd.)

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

	Claims Liabilities	Actuarial Liabilities	Participating fund Unallocated Surplus	Participating fund AFS reserve	NAV attributable to unitholders	Gross	Reinsurance	Net
31.12.2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.1.2015	49,932	6,705,495	797,736	61,633	1,864,324	9,479,120	(25,866)	9,453,254
Net earned premiums	-	-	350,023	-	255,363	605,386	-	605,386
Other revenue	-	-	198,994	-	57,974	256,968	-	256,968
Net benefits and claims	13,354	-	(782,049)	-	(450,460)	(1,219,155)	690	(1,218,465)
Other expenses	-	-	(53,377)	-	(20)	(53,397)	-	(53,397)
Change in Reserve :								
- Discounting	-	(26,266)	(4,322)	-	-	(30,588)	(41)	(30,629)
- Assumptions	-	215,348	(188,374)	-	-	26,974	(16)	26,958
- Policy Movements	-	(968,515)	354,784	-	-	(613,731)	3,094	(610,637)
Changes in AFS reserve	-	-	-	13,330	-	13,330	-	13,330
Taxation	-	-	(9,814)	(620)	(3,057)	(13,491)	-	(13,491)
Transferred to shareholder	-	-	(10,542)	-	-	(10,542)	-	(10,542)
As at 31.12.2015	63,286	5,926,062	653,059	74,343	1,724,124	8,440,874	(22,139)	8,418,735

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13. INSURANCE CONTRACT LIABILITIES (CONTD.)

(B) General insurance

	←----- 30.6.2016 -----→			←----- 31.12.2015 -----→		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities (i)	4,036,317	(3,590,012)	446,305	3,351,905	(2,896,268)	455,637
Premium liabilities (ii)	596,003	(386,690)	209,313	587,741	(357,180)	230,561
	<u>4,632,320</u>	<u>(3,976,702)</u>	<u>655,618</u>	<u>3,939,646</u>	<u>(3,253,448)</u>	<u>686,198</u>

(i) Claims liabilities

	←----- 30.6.2016 -----→			←----- 31.12.2015 -----→		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2016/1.1.2015	3,351,905	(2,896,268)	455,637	4,097,449	(3,692,775)	404,674
Claims incurred in the current accident year	184,584	(60,312)	124,272	471,552	(216,332)	255,220
Other movements in claims incurred in prior accident years	793,239	(800,648)	(7,409)	85,419	(67,692)	17,727
Claims paid during the period	(371,266)	243,738	(127,528)	(686,003)	453,972	(232,031)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(66)	-	(66)	1,857	-	1,857
Movements in PRAD	77,921	(76,522)	1,399	(618,369)	626,559	8,190
As at 30.6.2016/31.12.2015	<u>4,036,317</u>	<u>(3,590,012)</u>	<u>446,305</u>	<u>3,351,905</u>	<u>(2,896,268)</u>	<u>455,637</u>

(ii) Premium liabilities

	←----- 30.6.2016 -----→			←----- 31.12.2015 -----→		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2016/1.1.2015	587,741	(357,180)	230,561	649,396	(379,256)	270,140
Premiums written in the year	829,232	(605,298)	223,934	1,410,477	(927,664)	482,813
Premiums earned during the year	(820,970)	575,788	(245,182)	(1,472,132)	949,740	(522,392)
As at 30.6.2016/31.12.2015	<u>596,003</u>	<u>(386,690)</u>	<u>209,313</u>	<u>587,741</u>	<u>(357,180)</u>	<u>230,561</u>

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14. OPERATING LEASE COMMITMENTS

(a) Company as lessee

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

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

	30.6.2016	31.12.2015
	RM'000	RM'000
Within 1 year	1,351	2,215
After 1 year but not more than 5 years	3,216	5,932
	<u>4,567</u>	<u>8,147</u>

(b) Company as lessor

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

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

	30.6.2016	31.12.2015
	RM'000	RM'000
Not later than 1 year	37,634	39,972
Later than 1 year but not later than 5 years	60,830	67,694
	<u>98,464</u>	<u>107,666</u>

15. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2016	31.12.2015
	RM'000	RM'000
Approved and contracted for:		
Investment properties (IPUC)	224,921	42,043
Property, plant and equipment	9,710	3,926
Intangible assets	10,883	13,910
	<u>245,514</u>	<u>59,879</u>

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15. OTHER COMMITMENTS AND CONTINGENCIES (CONTD.)

	30.6.2016	31.12.2015
	RM'000	RM'000
Approved and not contracted for:		
Investment properties (IPUC)	12,477	211,194
Intangible assets	4,871	3,613
	<u>17,348</u>	<u>214,807</u>

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Company classify its financial instruments measured at fair value according to the Fair Value hierarchy.

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

- Level 1 : Active Market – quoted price

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

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

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

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

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

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

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

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

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

	Valuation technique used:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using Observable inputs RM'000	Level 3 Using Significant unobservable inputs RM'000	
30.6.2016				
<u>Assets</u>				
Investment Properties	-	-	668,244	668,244
AFS financial assets				
Equity securities	675,681	-	-	675,681
Malaysian government papers	-	88,642	-	88,642
Debt securities, structured products and NCDs	-	1,156,567	71,453	1,228,020
Unit and property trust funds	85,557	-	-	85,557
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	232,886	-	232,886
Debt securities, structured products and NCDs	-	6,376,896	60,868	6,437,764
(ii) HFT				
Equity securities	640,901	-	-	640,901
Malaysian government papers	-	143,831	-	143,831
Debt securities, structured products and NCDs	-	431,031	-	431,031
Unit and property trust funds	15,170	-	-	15,170
Redemable loan stock	57	-	-	57
Derivative assets	-	3,418	-	3,418
Total assets	1,417,366	8,433,271	800,565	10,651,202
<u>Liabilities</u>				
Derivative Liabilities	-	(38,415)	-	(38,415)
Total liabilities	-	(38,415)	-	(38,415)

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

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

	Valuation technique used:			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	
31.12.2015				
<u>Assets</u>				
Investment Properties	-	-	668,244	668,244
AFS financial assets				
Equity securities	1,129,303	-	-	1,129,303
Malaysian government papers	-	239,014	-	239,014
Debt securities, structured products and NCDs	-	946,881	73,241	1,020,122
Unit and property trust funds	50,056	-	-	50,056
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	130,330	-	130,330
Debt securities, structured products and NCDs	-	5,602,366	62,391	5,664,757
(ii) HFT				
Equity securities	723,530	-	-	723,530
Malaysian government papers	-	85,563	-	85,563
Debt securities, structured products and NCDs	-	776,964	-	776,964
Redeemable loan stock	7	-	-	7
Unit and property trust funds	13,571	-	-	13,571
Derivative assets	-	2,610	-	2,610
Total assets	1,916,467	7,783,728	803,876	10,504,071
<u>Liabilities</u>				
Derivative Liabilities	-	(59,283)	-	(59,283)
Total liabilities	-	(59,283)	-	(59,283)

Unquoted equities securities of RM52,251,154 (2015: RM52,251,154) as disclosed in Note 11 and IPUC of RM61,535,655 (2015: RM45,656,616) are not included in the above analysis as they are carried at cost less impairment.

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

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the six month period ended 30 June 2016.

(c) Reconciliation of level 3 fair value hierarchy

	Financial instruments measured at fair value		
	AFS RM'000	Designated at FVTPL RM'000	Investment Properties RM'000
30.06.2016			
At 1 January 2016	73,241	62,391	668,244
Recognised in the income statement:			
Realised gain	206	176	-
Fair value gain	-	(597)	-
Recognised in other comprehensive income as fair value gain/(loss)	(701)	-	-
Sales	(1,293)	(1,102)	-
Transfer out from Level 3	-	-	-
Translation differences	-	-	-
At 30 June 2016	<u>71,453</u>	<u>60,868</u>	<u>668,244</u>
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>206</u>	<u>(421)</u>	<u>-</u>
Total losses recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	<u>(701)</u>	<u>-</u>	<u>-</u>

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

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

	Financial instruments measured at fair value		
	AFS RM'000	Designated at FVTPL RM'000	Investment Properties RM'000
31.12.2015			
At 1 January 2015	-	-	566,384
Recognised in the income statement:			
Realised gain	301	255	-
Fair value gain	-	1,487	101,860
Recognised in other comprehensive income as fair value gain	1,746	-	-
Sales	(1,098)	(935)	-
Transfer into Level 3	72,292	61,584	-
At 31 December 2015	<u>73,241</u>	<u>62,391</u>	<u>668,244</u>
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>301</u>	<u>1,742</u>	<u>101,860</u>
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	<u>1,746</u>	<u>-</u>	<u>-</u>

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

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

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

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

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

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

17. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2016 and 31 December 2015, as prescribed under the RBC Framework is provided below:

	30.6.2016	31.12.2015
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	152,151	152,151
Reserves, including retained earnings	4,345,768	4,374,043
	<u>4,497,919</u>	<u>4,526,194</u>
Tier 2 Capital		
Revaluation reserves	11,647	11,647
Available-for-sale reserves	69,335	98,558
Subordinated term debts	500,000	500,000
Currency translation reserve	12,871	13,565
	<u>593,853</u>	<u>623,770</u>
Amount deducted from Capital	<u>(88,738)</u>	<u>(88,156)</u>
Total Capital Available	<u>5,003,034</u>	<u>5,061,808</u>

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18. INSURANCE FUNDS

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

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

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

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

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2016 RM'000	31.12.2015 RM'000	30.6.2016 RM'000	31.12.2015 RM'000	30.6.2016 RM'000	31.12.2015 RM'000
Assets:						
Property, plant and equipment	114,368	112,897	57,621	57,780	56,747	55,117
Investment properties	729,780	713,901	95,294	95,294	634,486	618,607
Prepaid land lease payments	19,116	19,267	9,578	9,654	9,538	9,613
Intangible assets	56,270	47,671	34,618	28,663	21,652	19,008
Investment in associate	152	152	152	152	-	-
Investments	11,335,926	11,694,701	1,935,628	2,020,700	9,400,298	9,674,001
Financing receivables	250,286	255,718	7,253	7,736	243,033	247,982
Reinsurance assets	3,997,107	3,272,164	3,974,697	3,250,025	22,410	22,139
Insurance receivables	426,705	324,615	382,640	285,673	44,065	38,942
Other receivables	262,633	260,428	103,584	101,965	159,049	158,463
Derivative assets	3,418	2,610	-	-	3,418	2,610
Current tax assets	55,038	30,013	83,320	63,191	(28,282)	(33,178)
Cash and bank balances	176,994	74,656	68,054	32,954	108,940	41,702
	17,427,793	16,808,793	6,752,439	5,953,787	10,675,354	10,855,006
Assets classified as held for sale	-	787	-	787	-	-
Total Assets	17,427,793	16,809,580	6,752,439	5,954,574	10,675,354	10,855,006

ETIQA INSURANCE BERHAD
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18. INSURANCE FUNDS (CONTD.)

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

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2016 RM'000	31.12.2015 RM'000	30.6.2016 RM'000	31.12.2015 RM'000	30.6.2016 RM'000	31.12.2015 RM'000
<u>Equity and liabilities:</u>						
Share capital	152,151	152,151	152,151	152,151	-	-
Reserves	2,470,828	2,543,114	2,470,828	2,543,114	-	-
	<u>2,622,979</u>	<u>2,695,265</u>	<u>2,622,979</u>	<u>2,695,265</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities	12,809,321	12,380,520	4,632,320	3,939,646	8,177,001	8,440,874
Subordinated obligation	500,000	500,000	500,000	500,000	-	-
Derivative liabilities	38,415	59,283	-	6,032	38,415	53,251
Deferred tax liabilities, net	544,717	516,255	514,773	491,730	29,944	24,525
Insurance payables	494,409	356,098	470,726	327,376	23,683	28,722
Other payables ¹	407,924	292,032	(1,998,387)	(2,015,602)	2,406,311	2,307,634
Interest payable for subordinated obligation	10,028	10,127	10,028	10,127	-	-
Total Liabilities	<u>14,804,814</u>	<u>14,114,315</u>	<u>4,129,460</u>	<u>3,259,309</u>	<u>10,675,354</u>	<u>10,855,006</u>
Total equity and liabilities	<u>17,427,793</u>	<u>16,809,580</u>	<u>6,752,439</u>	<u>5,954,574</u>	<u>10,675,354</u>	<u>10,855,006</u>
Inter fund balances	-	-	(2,116,511)	(2,082,100)	2,116,511	2,082,100

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

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18. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM INCOME STATEMENT/ REVENUE ACCOUNTS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	30.6.2016 RM'000	30.06.2015 RM'000	30.6.2016 RM'000	30.06.2015 RM'000	30.6.2016 RM'000	30.06.2015 RM'000	30.6.2016 RM'000	30.06.2015 RM'000
Operating revenue	1,603,484	1,675,936	28,237	29,581	846,444	878,731	728,803	767,624
Gross earned premiums	1,336,385	1,236,934	-	-	820,970	707,771	515,415	529,163
Earned premiums ceded to reinsurers	(586,682)	(486,799)	-	-	(575,788)	(476,385)	(10,894)	(10,414)
Net earned premiums	749,703	750,135	-	-	245,182	231,386	504,521	518,749
Fee and commission income	40,306	19,710	-	-	39,738	18,649	568	1,061
Investment income	258,837	282,825	28,237	29,581	17,212	14,783	213,388	238,461
Realised gains	85,577	97,109	1,484	6,719	31,880	7,108	52,213	83,282
Fair value gains/(losses)	105,574	54,538	(1,732)	45,850	5,939	(586)	101,367	9,274
Other operating expenses	(43,136)	(28,421)	(6,567)	14,958	(2,447)	(3,647)	(34,122)	(39,732)
Other revenue	447,158	425,761	21,422	97,108	92,322	36,307	333,414	292,346
Gross benefits and claims paid	(1,280,060)	(1,758,079)	-	-	(371,266)	(355,378)	(908,794)	(1,402,701)
Claims ceded to reinsurers	255,510	249,868	-	-	243,738	245,011	11,772	4,857
Gross change to contract liabilities	(449,140)	1,141,626	-	-	(684,412)	384,265	235,272	757,361
Change in contract liabilities ceded to reinsurers	694,015	(400,339)	-	-	693,744	(399,223)	271	(1,116)
Net benefits and claims	(779,675)	(766,924)	-	-	(118,196)	(125,325)	(661,479)	(641,599)
Management expenses	(136,303)	(143,782)	(5,363)	(5,713)	(76,166)	(75,916)	(54,774)	(62,153)
Fee and commission expenses	(85,683)	(78,138)	-	-	(52,396)	(41,703)	(33,287)	(36,435)
Interest on subordinated obligation	(10,254)	(10,240)	(10,254)	(10,240)	-	-	-	-
Taxation borne by policyholders	(22,922)	(21,352)	-	-	-	-	(22,922)	(21,352)
Other expenses	(255,162)	(253,512)	(15,617)	(15,953)	(128,562)	(117,619)	(110,983)	(119,940)
	162,024	155,460	5,805	81,155	90,746	24,749	65,473	49,556
Surplus from/(to):								
- General Funds	-	-	74,678	20,324	(74,678)	(20,324)	-	-
- Life Par Funds	-	-	(5,459)	(988)	-	-	5,459	988
- Life Non-Par Funds	-	-	70,932	50,544	-	-	(70,932)	(50,544)
Profit before tax from continuing operations	162,024	155,460	145,956	151,035	16,068	4,425	-	-
Taxation	(35,645)	(34,325)	(19,577)	(29,753)	(16,068)	(4,572)	-	-
Net profit for the period from continuing operations	126,379	121,135	126,379	121,282	-	(147)	-	-
Net profit for the period from discontinued operation	-	147	-	-	-	147	-	-
Net profit for the period	126,379	121,282	126,379	121,282	-	-	-	-

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(Incorporated in Malaysia)

18. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund		Life Fund	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Cash flows from:								
Operating activities	391,584	(809,734)	239,864	292,140	(61,775)	(160,287)	213,495	(941,587)
Investing activities	(78,814)	1,406,875	(24,448)	91,179	91,891	152,038	(146,257)	1,163,658
Financing activities	(210,432)	(380,329)	(210,432)	(380,329)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	102,338	216,812	4,984	2,990	30,116	(8,249)	67,238	222,071
Cash and cash equivalents:								
Cash and cash equivalents at beginning of period	74,656	71,708	2,778	3,145	30,176	42,664	41,702	25,899
Cash and cash equivalents at end of period	176,994	288,520	7,762	6,135	60,292	34,415	108,940	247,970