



ETIQA LIFE INSURANCE BERHAD

(1239279 P)

(Incorporated in Malaysia on 19 July 2017)

**Unaudited Condensed Interim Financial Statements
from 19 July 2017 (the date of incorporation) to 30 June 2018**

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ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

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(Incorporated in Malaysia on 19 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30.6.2018 RM'000
Assets:		
Property, plant and equipment		61,471
Investment properties		708,214
Prepaid land lease payments		11,333
Intangible assets		31,231
Investments	13	9,590,029
Financing receivables		208,781
Reinsurance assets	14	40,192
Insurance receivables		28,771
Other receivables		378,448
Derivative assets		4,024
Cash and bank balances		87,375
Total Assets		<u>11,149,869</u>
Equity and liabilities:		
Share capital		100,000
Reserves		1,840,892
Total Equity		<u>1,940,892</u>
Insurance contract liabilities	15	8,209,969
Derivative liabilities		16,253
Deferred tax liabilities, net		584,847
Insurance payables		17,151
Other payables		366,420
Current tax liabilities		14,337
Total Liabilities		<u>9,208,977</u>
Total Equity and Liabilities		<u>11,149,869</u>

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

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ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

UNAUDITED CONDENSED INTERIM INCOME STATEMENT
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	19.7.2017
	to
	30.6.2018
	RM'000
Operating revenue	<u>998,568</u>
Gross earned premiums	771,222
Earned premiums ceded to reinsurers	<u>(10,498)</u>
Net earned premiums	<u>760,724</u>
Investment income	227,346
Realised losses	(2,967)
Fair value losses	(264,441)
Other operating expenses	<u>(14,250)</u>
Other revenue	<u>(54,312)</u>
Gross benefits and claims paid	(516,537)
Claims ceded to reinsurers	4,491
Gross change to contract liabilities	(13,836)
Change in contract liabilities ceded to reinsurers	<u>7,229</u>
Net benefits and claims	<u>(518,653)</u>
Management expenses	(75,966)
Fee and commission expenses	(53,294)
Taxation borne by policyholders	6,005
Other expenses	<u>(123,255)</u>
Profit before tax	64,504
Taxation	<u>(16,251)</u>
Net profit for the period	<u>48,253</u>
Earnings per share (sen) from operations	
Basic	<u>48.25</u>

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

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ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	19.7.2017
	to
	30.6.2018
	RM'000
Net profit for the period	<u>48,253</u>
Other comprehensive income:	
Items that may be subsequently reclassified to income statement	
Change in value of Fair Value Through Other Comprehensive Income Reserve ("FVOCI") financial assets, net	
- Fair value changes	(1,218)
- Transfer to profit or loss upon disposal	(299)
Tax effect relating to FVOCI financial assets	112
	(1,405)
Other comprehensive loss from operations for the period, net of tax	(1,405)
Total comprehensive income for the period	<u><u>46,848</u></u>

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

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	Retained Earnings					Total Equity RM'000
	Share Capital RM'000	Non-distributable		Distributable		
Available for Sale ("AFS") / FVOCI RM'000		Non-Par Fund Surplus RM'000	Retained Profits RM'000	Sub-total Retained Earnings RM'000		
As at 19.7.2017 (date of incorporation)	-	-	-	-	-	-
Transferred from Etiqa General Insurance Berhad ("EGIB")	-	(2,481)	1,768,679	-	1,768,679	1,766,198
Effect of adopting MFRS 9	-	2,103	25,743	-	25,743	27,846
	-	(378)	1,794,422	-	1,794,422	1,794,044
Net profit for the period	-	-	50,957	(2,703)	48,253	48,253
Other comprehensive losses for the period	-	(1,405)	-	-	-	(1,405)
Total comprehensive losses for the period	-	(1,405)	50,957	(2,703)	48,253	46,848
Issue during the year*	100,000	-	-	-	-	100,000
As at 30.6.2018	100,000	(1,783)	1,845,378	(2,703)	1,842,675	1,940,892

* The company was incorporated on 19 July 2017 with a share capital of RM1 being 1 ordinary share. On 26 December 2017, the company increased its share capital to RM100,000,000 by the subscription of 99,999,999 ordinary shares.

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

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

	19.7.2017
	to
	30.6.2018
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	64,504
Adjustments for:	
Taxation borne by policyholders	(6,005)
Depreciation of property, plant and equipment	2,751
Amortisation of intangible assets	3,439
Fair value gain on financial assets at fair value through profit and loss ("FVTPL")	264,413
Amortisation of prepaid land lease payments	91
Amortisation of premium on investments	2,785
Net loss on foreign exchange	14,125
Allowance of impairment of insurance receivables	156
Allowance for impairment of other receivables	305
Allowance of impairment of financing receivables	59
Net loss on disposal of investment	2,968
Interest income	(200,088)
Allowance of impairment on investments	28
Gross dividend income	(19,063)
Rental income	(20,232)
Gain from operations before changes in operating assets and liabilities	<u>110,236</u>
Changes in working capital:	
Increase in reinsurance assets	(7,229)
Increase in insurance receivables	(8,352)
Increase in other receivables	(13,140)
Increase in financing receivables	(43)
Increase in amount due from related parties	(111,375)
Decrease in other payables	(7,454)
Increase in insurance contract liabilities	13,836
Increase in insurance payables	1,870
Increase in financial assets at amortised costs ("AC")	(393,431)
Interest income received	192,140
Dividend income received	16,182
Rental income received	14,408
Carried forward	<u>(192,352)</u>

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ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)

	19.07.2017
	to
	30.6.2018
	RM'000
Brought forward	(192,352)
Tax paid	(1,538)
Net cash used in operating activities	<u>(193,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of investments	3,947,222
Purchase of investments	(3,830,319)
Purchase of property, plant and equipment	(717)
Addition to investment properties under constructions ("IPUC")	(72,505)
Purchase of intangible assets	(4,615)
Net cash generated from investing activities	<u>39,066</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of share capital	100,000
Net cash generated from financing activity	<u>100,000</u>
Net increase in cash and cash equivalents	(54,824)
Cash and cash equivalents at beginning of period	-
Transferred from EGIB	142,199
Cash and cash equivalents at end of period	<u>87,375</u>
Cash and cash equivalents comprise:	
Cash and bank balances:	
Shareholder's funds	425
Life insurance fund	86,950
	<u>87,375</u>

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

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated on 19 July 2017 and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

The immediate and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") and Malayan Banking Berhad ("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.

On 28 December 2017, the Company was granted the licence to underwrite life insurance and investment linked business.

On 1 January 2018, the MAHB Group has successfully completed the Conversion of Composite Licences to Single Licences ("Licence Split") and surrendered the composite licences in exchange for the four single licences. Consequently, the life insurance business of Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) was transferred to the Company.

2. BASIS OF PREPARATION

The unaudited interim financial statements of the Company for the period ended 30 June 2018 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - *Interim Financial Reporting* as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* as issued by International Accounting Standards Board ("IASB"), Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and the requirement in Companies Act, 2016 in Malaysia.

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

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements. There will be no comparative information and disclosure as the Company is newly incorporated entity. Pursuant to Companies Act 2016, the first financial statement for the newly incorporated entity shall be prepared within 18 months from the date of its incorporation which is financial year ended 31 December 2018.

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

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.

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)

2. BASIS OF PREPARATION (CONTD.)

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

The unaudited interim financial statements was approved for issue by the Board of Directors on 21 August 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company adopted the the following new Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2018:

MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
(Amendments to MFRS 4)

Transfer to Investment Property (Amendments to MFRS 140)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRSs 2014-2016 Cycle:

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

(ii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures*

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

MFRS 9 Financial Instruments

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and Insurance contract liabilities as at 1 January 2018.

ETIQA LIFE INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments (Contd.)*

The adoption of MFRS 9 resulted in the following changes to the Company's accounting policies:

(i) Classification and measurement

MFRS 9 requires financial assets to be classified on the basis of two criteria:

- (1) The business model within financial assets are managed; and
- (2) The contractual cash flows characteristic.

At initial recognition, each financial assets will be classified as either amortised cost, FVOCI or FVTPL as summarised in below table:

Amortised Cost	Fair Value	
	FVOCI	FVTPL
<ul style="list-style-type: none"> • Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. 	<ul style="list-style-type: none"> • Financial assets will be measured at FVOCI if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest. • Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (i.e. without recycling profit or loss upon derecognition). 	<ul style="list-style-type: none"> • Financial assets will be measured at FVTPL if the assets that are held for trading or financial assets that qualify for neither held at amortised cost nor at FVOCI. • Equity instruments that were not elected for FVOCI will be measured at FVTPL.

Classification and measurement 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 FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments (Contd.)*

(ii) Impairment

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under the current accounting standard. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

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

- Determining a significant increase in credit risk since initial recognition

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

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

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 9 *Financial Instruments (Contd.)*

(ii) Impairment (Contd.)

• ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and the exposure at default model ("EAD"). The model is to leverage as much as possible in accordance to Maybank Group's Basel II models and performed the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Company decided to continue measure the impairment on an individual transaction basis for financial assets that are deemed to be individually significant.

• Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioural life.

• Forward looking information

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information will be based on Maybank's research arm, Maybank Kim Eng ("MKE"). In addition, the MKE Research's assumptions and analysis would also be based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Overall, the Company anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification Company's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses.

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 which include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company adopted the standard on its effective date, using the modified retrospective method of adoption. The standard does not apply to income or revenue associated with financial instruments scoped in MFRS 9 such as loan, advances and financing and financial investment securities.

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

**Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*
(Amendments to MFRS 4)**

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Company has opted not to apply the exemptions permitted under these amendments and will fully adopt MFRS 9 effective on 1 January 2018.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the unaudited interim financial statements other than Life Insurance liabilities and measurement of expected credit loss under MFRS 9.

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. The measurement of expected credit loss under MFRS 9 which involves increased complexity and judgement as disclosed in Note 3.

ETIQA LIFE INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FROM THE 19 JULY 2017 (THE DATE OF INCORPORATION) TO 30 JUNE 2018 (CONTD.)

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period ended 30 June 2018.

6. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2018.

7. CHANGES IN ESTIMATES

There were no material changes in estimates for the interim financial period ended 30 June 2018.

8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

The Company incorporated on 19 July 2018 with its share capital of RM1. Subsequently, the Company increased its share capital from RM1 to RM100 million being the subscription of 99,999,999 ordinary shares on 26 December 2017.

9. DIVIDENDS PAID

No dividend has been paid by the Company since the date of incorporation.

10. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

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

11. CHANGES IN THE COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the interim financial period ended 30 June 2018.

12. COMPARATIVE INFORMATION

There are no comparative figures as this is the first set of unaudited interim financial statements prepared by the Company.

ETIQA LIFE INSURANCE BERHAD
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13. INVESTMENTS

	30.6.2018 RM'000
Malaysian government papers	216,543
Debt securities	6,358,622
Equity securities	1,397,343
Unit and property trust funds	241,738
Structured products	371,558
Deposits with financial institutions	1,004,225
	<u>9,590,029</u>

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

	30.6.2018 RM'000
Fair value through profit and loss ("FVTPL")	
- Designated upon initial recognition	6,382,503
- Held for trading ("HFT")	1,976,977
Fair value through other comprehensive income ("FVOCI")	226,323
Amortised Cost ("AC")	1,004,225
	<u>9,590,029</u>

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

	30.6.2018 RM'000
FVTPL	
- Designated upon initial recognition	5,977,172
- HFT	304,904
FVOCI	226,323
AC	1,004,225
	<u>7,512,624</u>

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13. INVESTMENTS (CONTD.)

	30.6.2018 RM'000
(a) FVTPL	
(i) Designated upon initial recognition	
<u>Fair value</u>	
Malaysian government papers	144,518
Debt securities:	
Unquoted in Malaysia	5,779,958
Unquoted outside Malaysia	89,435
Structured products	368,592
	<u>6,382,503</u>
(ii) HFT	
<u>Fair value</u>	
Malaysian government papers	60,045
Unquoted debt securities in Malaysia	274,885
Equity securities	
Quoted in Malaysia	1,346,037
Quoted outside Malaysia	1,878
Unquoted in Malaysia	49,428
Unit and property trust funds:	
Quoted in Malaysia	8,722
Quoted outside Malaysia	233,016
Structured products	2,966
	<u>1,976,977</u>
Total FVTPL financial assets	<u>8,359,480</u>
	30.6.2018 RM'000
(b) FVOCI	
<u>At fair value</u>	
Malaysian government papers	11,980
Unquoted debt securities in Malaysia	214,343
Total FVOCI financial assets	<u>226,323</u>

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13. INVESTMENTS (CONTD.)

(b) FVOCI (Contd.)

Movements in the allowances for impairment losses on financial assets at FVOCI are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 19.7.2017 (date of incorporation)	-	-	-	-
Transferred from EGIB	-	-	-	-
Effect of adopting MFRS 9	73	-	-	73
	<u>73</u>	<u>-</u>	<u>-</u>	<u>73</u>
New financial assets originated at purchased	41	-	-	41
Financial assets derecognised	(13)	-	-	(13)
At 30.6.2018	<u>101</u>	<u>-</u>	<u>-</u>	<u>101</u>

30.6.2018
RM'000

(c) AC

At cost

Fixed and call deposits with:

Licensed financial institution

1,004,225

Total AC financial assets

1,004,225

ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

14. REINSURANCE ASSETS

30.6.2018
RM'000

Reinsurers' share of insurance contract liabilities (Note 15)

40,192
40,192

15. INSURANCE CONTRACT LIABILITIES

	←----- 30.6.2018 ----->		
	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000
		(Note 14)	
Claims liabilities	81,827	(5,215)	76,612
Actuarial liabilities	6,167,538	(34,977)	6,132,561
Participating fund unallocated surplus	601,703	-	601,703
NAV attributable to unitholders	1,358,901	-	1,358,901
	<u>8,209,969</u>	<u>(40,192)</u>	<u>8,169,777</u>

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ETIQA LIFE INSURANCE BERHAD
(Incorporated in Malaysia on 19 July 2017)

15. INSURANCE CONTRACT LIABILITIES (CONTD.)

Movements of life insurance contract liabilities

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Participating fund AFS/FVOCI reserve RM'000	NAV attributable to unitholders RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
30.6.2018								
As at 19.07.2018 (date of incorporation)	-	-	-	-	-	-	-	-
Transferred from EGIB	61,277	6,146,954	621,836	(4,621)	1,368,045	8,193,491	(32,963)	8,160,528
Effect of adopting MFRS 9	-	-	(1,979)	4,621	-	2,642	-	-
	61,277	6,146,954	619,857	-	1,368,045	8,196,133	(32,963)	8,163,170
Net earned premiums	-	-	280,740	-	220,101	500,841	-	500,841
Other revenue	-	-	(2,185)	-	(77,267)	(79,452)	-	(79,452)
Net benefits and claims	20,550	-	(250,307)	-	(158,321)	(388,078)	(1,822)	(389,900)
Other expenses	-	-	(46,461)	-	(21)	(46,482)	-	(46,482)
Change in Reserve :								
- Discounting	-	(80,451)	38,290	-	-	(42,161)	509	(41,652)
- Assumptions	-	(32,303)	27,792	-	-	(4,511)	(113)	(4,624)
- Policy movements	-	133,338	(66,687)	-	-	66,651	(5,803)	60,848
Taxation	-	-	584	-	6,364	6,948	-	6,948
Transferred from shareholder	-	-	80	-	-	80	-	80
As at 30.6.2018	81,827	6,167,538	601,703	-	1,358,901	8,209,969	(40,192)	8,169,777

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16. 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:

	30.6.2018
	RM'000
Within 1 year	552
After 1 year but not more than 5 years	1,525
	<u>2,077</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:

	30.6.2018
	RM'000
Not later than 1 year	29,523
Later than 1 year but not later than 5 years	54,401
	<u>83,924</u>

17. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2018
	RM'000
Approved and contracted for:	
Investment Properties	33,557
Property, plant and equipment	1,006
Intangible assets	8,161
	<u>9,167</u>
Approved and not contracted for:	
Investment Properties	11,519
Intangible assets	37
	<u>11,556</u>

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18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES

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

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

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

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

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

	19.7.2017
	to
	30.6.2018
	RM'000
Income/(expenses):	
Ultimate holding company:	
Commissions and fees expenses	(38,960)
Interest income	576
Rental income	1,512
Other income	439
Other expenses	(423)
	<hr/>
Holding company:	
Rental income	229
Shared service cost	(3,752)
	<hr/>
Fellow subsidiaries within the MAHB Group:	
Rental income	3,090
Shared service income	66,630
Rental expenses	(1,019)
	<hr/>
Other related companies within the MBB Group:	
Interest income	1,503
Rental income	2,449
Other investment income	2
Maybank shared service - information technology expenses	(999)
	<hr/>

ETIQA LIFE INSURANCE BERHAD
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18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES
(CONTD.)

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

Income/(expenses): (Contd.)

19.7.2017
to
30.6.2018
RM'000

Companies with significant influence over
the MBB Group:

Gross insurance premium income	572
Claims paid	(99)
	<hr/>

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

19.7.2017
to
30.6.2018
RM'000

Ultimate holding company:

Fixed and call deposits	201,332
Structured deposits	49,133
Corporate bonds	4,997
Derivatives	(8,512)
Bank balances	82,799
Income due and accrued	36
Amount due from ultimate holding company	287
Other receivables	599
Other payables	(794)
	<hr/>

Holding company:

Amount due to holding company	(1,492)
	<hr/>

Fellow subsidiaries within the MAHB Group:

Amount due from subsidiaries within the MAHB Group	177,493
Amount due to subsidiaries within the MAHB Group	(51,038)
	<hr/>

Other related companies within the MBB Group:

Fixed and call deposits	136,469
Income and profits due and accrued	472
Amount due from other related companies	85
	<hr/>

Companies with significant influence over the
MBB Group:

Outstanding premiums	468
Amount due to reinsurers and cedants	(5)
	<hr/>

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19. FAIR VALUE MEASUREMENTS

The Company classifies 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 by the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products 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, less liquid equities and over-the-counter ("OTC") derivatives.

- Level 3 : No Active Market – Valuation

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

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

ETIQA LIFE INSURANCE BERHAD
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19. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Fair value measurements and classification within the fair value 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	
30.6.2018				
<u>Assets</u>				
Investment Properties #	-	-	474,500	474,500
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Malaysian government papers	-	144,518	-	144,518
Debt securities, structured products and NCDs	-	6,237,985	-	6,237,985
(ii) HFT				
Equity securities	1,347,916	-	49,428	1,397,344
Malaysian government papers	-	60,045	-	60,045
Debt securities, structured products and NCDs	-	277,851	-	277,851
Unit and property trust funds	241,738	-	-	241,738
Derivative assets	-	4,024	-	4,024
Financial assets at FVOCI				
Malaysian government papers	-	11,980	-	11,980
Debt securities, structured products and NCDs	-	214,344	-	214,344
Total assets	1,589,654	6,950,747	523,928	9,064,329
<u>Liabilities</u>				
Derivative Liabilities	-	(16,253)	-	(16,253)
Total liabilities	-	(16,253)	-	(16,253)

#- IPUC of RM233,713,673 are not included in the above analysis as they are carried at cost less impairment.

ETIQA LIFE INSURANCE BERHAD
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19. FAIR VALUE MEASUREMENTS (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 since the date of incorporation.

(c) Movements of Level 3 instruments

	Investment Properties	Financial instruments measured at fair value		
		Designated at FVTPL RM'000	Designated at FVOCI RM'000	Total RM'000
30.6.2018				
As at 19.7.2017 (date of incorporation)	-	-	-	-
Transferred from EGIB	474,500	6,749	-	481,249
Effect of adopting MFRS 9	-	42,678	-	42,678
As at 30.6.2018	<u>474,500</u>	<u>49,427</u>	-	<u>523,927</u>
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the reporting period	-	-	-	-
Total losses recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting period	-	-	-	-

(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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19. FAIR VALUE MEASUREMENTS (CONTD.)

(e) 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.

20. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2018, as prescribed under the RBC Framework is provided below:

	30.6.2018
	RM'000
Eligible Tier 1 Capital	
Share capital (paid up)	100,000
Reserves, including retained earnings	3,980,672
	<u>4,080,672</u>
Tier 2 Capital	
Available-for-sale reserves	(1,783)
	<u>(1,783)</u>
Amount deducted from Capital	<u>(37,944)</u>
Total Capital Available	<u>4,040,945</u>

ETIQA LIFE INSURANCE BERHAD
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21. ASSETS TRANSFERRED FROM ETIQA GENERAL INSURANCE BERHAD ("EGIB")
(FORMERLY KNOWN AS ETIQA INSURANCE BERHAD)

On 1 January 2018, the life business were transferred into the Company from EGIB upon successful completion of the Licence Split.

Statement of financial position disclosures

The major classes of assets, reserves and liabilities transferred in upon incorporation of the Company as at 1 January 2018 are as follows:

	1.1.2018
	RM'000
Assets	
Property, plant and equipment	63,908
Investment properties	635,708
Prepaid land lease payments	11,424
Intangible assets	29,653
Investments	9,561,887
Financing receivables	208,797
Reinsurance assets	32,963
Insurance receivables	20,669
Derivative assets	2,230
Other receivables	236,432
Cash and bank balances	142,199
Total Assets	<u>10,945,870</u>
Equity	
Non-distributable non-Par fund surplus	1,768,679
AFS reserves	(2,481)
Total Equity	<u>1,766,198</u>
Liabilities	
Insurance contract liabilities	8,193,491
Derivative liabilities	25,791
Deferred tax liabilities, net	578,656
Insurance payables	15,281
Other payables	366,453
Total Liabilities	<u>9,179,672</u>
Total Equity and Liabilities	<u>10,945,870</u>

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22. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 *FINANCIAL INSTRUMENTS*

- (i) The adoption of MFRS 9 resulted in the following financial effects to the related statement of financial position items of the Company:

	1.1.2018 (with assets transferred from EGIB) RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1.1.2018 (restated) RM'000
Assets				
Investments	9,661,887	42,679	-	9,704,566
Insurance receivables	20,669	-	(93)	20,576
Other receivables	236,486	-	(138)	236,348
Liabilities				
Insurance contract liabilities	8,193,491	2,642	-	8,196,133
Deferred tax liabilities	578,656	11,960	-	590,616
Equities				
AFS Reserve	(2,481)	2,481	-	-
FVOCI Reserve	-	(451)	73	(378)
Retained earnings	1,768,679	26,047	(304)	1,794,422

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22. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 *FINANCIAL INSTRUMENTS*
(*CONTD.*)

- (ii) The following table analyses the impact, net of tax, of transition to MFRS 9 on the restated balance of AFS/FVOCI reserve, retained earnings and insurance contract liabilities of the Company:

	RM'000
AFS/FVOCI Reserve	
As at 1.1.2018 (after assets transferred from EGIB)	(2,481)
Transfer to retained earnings	2,030
Recognition of expected credit loss	73
As at 1.1.2018 (restated)	<u>(378)</u>
Retained profits	
As at 1.1.2018 (after assets transferred from EGIB)	1,768,679
Transfer from AFS/FVOCI reserve	(2,030)
Unrealised gain on financial assets at FVTPL	39,806
Recognition of expected credit loss	(304)
Deferred tax in respect of unrealised gain on FVTPL	(3,184)
Deferred tax of non-par unallocated surplus	(8,545)
As at 1.1.2018 (restated)	<u>1,794,422</u>
Insurance contract liabilities	
As at 1.1.2018 (after assets transferred from EGIB)	8,193,491
Transfer from AFS/FVOCI reserve	(4,621)
Transfer to par unallocated surplus	4,621
Unrealised gain on financial assets at FVTPL	2,873
Deferred tax in respect of unrealised gain on FVTPL	(231)
As at 1.1.2018 (restated)	<u>8,196,133</u>

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23. INSURANCE FUNDS

The Company's principal activities are organised by funds and segregated into Shareholder's 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.

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total	Shareholder's Fund	Life Fund
	30.6.2018	30.6.2018	30.6.2018
	RM'000	RM'000	RM'000
Assets:			
Property, plant and equipment	61,471	-	61,471
Investment properties	708,214	-	708,214
Prepaid land lease payments	11,333	-	11,333
Intangible assets	31,231	-	31,231
Investments	9,590,029	112,237	9,477,792
Financing receivables	208,781	1,337	207,444
Reinsurance assets	40,192	-	40,192
Insurance receivables	28,771	-	28,771
Other receivables	378,448	1,659	376,789
Derivative assets	4,024	-	4,024
Cash and bank balances	87,375	425	86,950
Total Assets	11,149,869	115,658	11,034,211
Equity and liabilities:			
Share capital	100,000	100,000	-
Reserves	1,840,892	1,840,892	-
Total Equity	1,940,892	1,940,892	-
Insurance contract liabilities	8,209,969	-	8,209,969
Derivative liabilities	16,253	-	16,253
Deferred tax liabilities, net	584,847	582,481	2,366
Insurance payables	17,151	-	17,151
Other payables [@]	366,420	(2,407,946)	2,774,366
Current tax liabilities	14,337	231	14,106
Total Liabilities	9,208,977	(1,825,234)	11,034,211
Total equity and liabilities	11,149,869	115,658	11,034,211
Inter fund balances	-	(2,410,497)	2,410,497

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

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23. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM INCOME STATEMENT/ REVENUE ACCOUNTS BY FUNDS

	Total	Shareholder's Fund	Life Fund
	19.7.2017 to 30.6.2018 RM'000	19.7.2017 to 30.6.2018 RM'000	19.7.2017 to 30.6.2018 RM'000
Operating revenue	998,568	2,080	996,488
Gross earned premiums	771,222	-	771,222
Earned premiums ceded to reinsurers	(10,498)	-	(10,498)
Net earned premiums	760,724	-	760,724
Investment income [^]	227,346	2,080	226,232
Realised losses	(2,967)	(162)	(2,805)
Fair value gains/(losses)	(264,441)	(632)	(263,809)
Other operating expenses	(14,250)	(3)	(14,247)
Other revenue	(54,312)	1,283	(54,629)
Gross benefits and claims paid	(516,537)	-	(516,537)
Claims ceded to reinsurers	4,491	-	4,491
Gross change to contract liabilities	(13,836)	-	(13,836)
Change in contract liabilities ceded to reinsurers	7,229	-	7,229
Net benefits and claims	(518,653)	-	(518,653)
Management expenses [^]	(75,966)	(3,833)	(73,099)
Fee and commission expenses	(53,294)	-	(53,294)
Taxation borne by policyholders	6,005	-	6,005
Other expenses	(123,255)	(3,833)	(120,388)
	64,504	(2,550)	67,054
Surplus from/(to):			
- Life Par Funds	-	(80)	80
- Life Non-Par Funds	-	67,134	(67,134)
Profit before tax	64,504	64,504	-
Taxation	(16,251)	(16,251)	-
Net profit for the period	48,253	48,253	-

[^] - The figures at company level has taken into consideration an interfund elimination of RM 966,191

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23. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS BY FUNDS

	Total	Shareholder's Fund	Life Fund
	19.7.2017 to 30.6.2018 RM'000	19.7.2017 to 30.6.2018 RM'000	19.7.2017 to 30.6.2018 RM'000
Cash flows from:			
Operating activities	(193,890)	(27,126)	(166,764)
Investing activities	39,066	(72,449)	111,515
Financing activities	100,000	100,000	-
Net increase/(decrease) in cash and cash equivalents	(54,824)	425	(55,249)
Cash and cash equivalents:			
Cash and cash equivalents at beginning of period	-	-	-
Transferred from EGIB	142,199	-	142,199
Cash and cash equivalents at end of period	<u>87,375</u>	<u>425</u>	<u>86,950</u>