



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

Unaudited Interim Condensed Financial Statements
for the six months period ended 30 June 2019

9557 T

ETIQA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

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ETIQA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30.6.2019 RM'000	31.12.2018 RM'000
Assets:			
Property, plant and equipment		8,472	9,188
Investment properties		270,757	270,757
Right of use assets		7,167	-
Intangible assets		39,227	41,369
Investment in associate		152	152
Investments	13	1,245,954	1,107,516
Financing receivables		27,803	28,703
Reinsurance assets	14	2,962,528	2,703,348
Insurance receivables	15	494,032	346,730
Other assets	16	79,769	90,856
Derivative assets		168	82
Current tax assets		82,397	73,949
Cash and bank balances		26,169	64,652
Total Assets		<u>5,244,595</u>	<u>4,737,302</u>
Equity:			
Share capital		229,879	229,879
Reserves	17	790,382	729,322
Total Equity		<u>1,020,261</u>	<u>959,201</u>
Liabilities:			
Insurance contract liabilities	18	3,553,461	3,243,212
Deferred tax liabilities, net		39,013	34,349
Insurance payables	19	497,529	403,846
Other liabilities	20	134,331	96,694
Total Liabilities		<u>4,224,334</u>	<u>3,778,101</u>
Total Equity and Liabilities		<u>5,244,595</u>	<u>4,737,302</u>

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED INTERIM CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

		1.1.2019	1.1.2018
		to	to
	Note	30.6.2019	30.6.2018
		RM'000	RM'000
Operating revenue		<u>755,772</u>	<u>693,016</u>
Gross earned premiums	21(a)	613,276	532,240
Earned premiums ceded to reinsurers	21(b)	<u>(369,378)</u>	<u>(328,050)</u>
Net earned premiums		<u>243,898</u>	<u>204,190</u>
Fee and commission income		36,230	33,472
Investment income	22	29,975	33,628
Realised gains		702	725
Fair value gains/(losses)		5,178	(10,334)
Other operating (expenses)/income, net	23	<u>(5,575)</u>	<u>10,179</u>
Other revenue		<u>66,510</u>	<u>67,670</u>
Gross benefits and claims paid		(230,527)	(255,317)
Claims ceded to reinsurers		118,108	147,073
Gross change to contract liabilities		(197,728)	(16,995)
Change in contract liabilities ceded to reinsurers		178,837	34,183
Net benefits and claims		<u>(131,310)</u>	<u>(91,056)</u>
Management expenses	24	(76,654)	(80,364)
Fee and commission expenses		(49,364)	(44,178)
Interest on subordinated obligation		-	(10,244)
Other expenses		<u>(126,018)</u>	<u>(134,786)</u>
Profit before tax		53,080	46,018
Taxation	26	<u>(12,480)</u>	<u>(14,826)</u>
Net profit for the period		<u>40,600</u>	<u>31,192</u>
Basic earnings per share (sen)	31	<u>19.14</u>	<u>20.50</u>

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Net profit for the period	40,600	31,192
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to income statement		
Change in value of Fair Value Through Other Comprehensive Income (FVOCI), net		
- Fair value changes	26,472	(2,570)
- Transfer to profit or loss upon disposal	-	(552)
Tax effect relating to FVOCI financial assets	26 (6,353)	748
	20,119	(2,374)
Currency translation	341	(711)
Other comprehensive income/(loss) for the period, net of tax	20,460	(3,085)
Total comprehensive income for the period	61,060	28,107

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

<-----Non-distributable----->

	Share Capital RM'000	FVOCI Reserves RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
As at 1.1.2019	229,879	1,197	76,391	13,876	637,858	959,201
Net profit for the period	-	-	-	-	40,600	40,600
Other comprehensive income for the period	-	20,119	-	341	-	20,460
Total comprehensive income for the period	-	20,119	-	341	40,600	61,060
As at 30.6.2019	<u>229,879</u>	<u>21,316</u>	<u>76,391</u>	<u>14,217</u>	<u>678,458</u>	<u>1,020,261</u>
As at 1.1.2018	169,879	(5,263)	1,073	13,647	488,368	667,704
Effect of adopting MFRS 9	-	1,466	-	-	23,578	25,044
As at 1.1.2018 (as restated)	<u>169,879</u>	<u>(3,797)</u>	<u>1,073</u>	<u>13,647</u>	<u>511,946</u>	<u>692,748</u>
Net profit for the period	-	-	-	-	31,192	31,192
Other comprehensive losses for the period	-	(2,374)	-	(711)	-	(3,085)
Total comprehensive (losses)/ income for the period	-	(2,374)	-	(711)	31,192	28,107
As at 30.6.2018	<u>169,879</u>	<u>(6,171)</u>	<u>1,073</u>	<u>12,936</u>	<u>543,138</u>	<u>720,855</u>

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	53,080	46,018
Adjustments for:		
Depreciation of property, plant and equipment	1,317	1,961
Amortisation of intangible assets	3,004	3,016
ROU expenses		
- ROU Depreciation	1,153	-
- ROU Lease interest	133	-
Fair value (gains)/losses on financial assets at fair value through profit and loss (FVTPL)	(5,178)	10,333
Amortisation of prepaid land lease payments	-	62
Amortisation of premium on investments	628	340
Gain on disposal of property, plant and equipment	(1)	(4,034)
Net loss on foreign exchange	289	623
Impairment losses/(reversal of impairment losses) on reinsurance asset	6,865	(1,924)
Impairment losses/(reversal of impairment losses) on insurance receivables	987	(5,251)
Bad debt written off/(recovered)	381	(223)
Reversal of impairment losses of financing receivables	(103)	(16)
Net (gain)/loss on disposal of investments	(701)	3,309
Interest income	(23,491)	(27,326)
Interest expense	-	10,244
Impairment losses on investments	131	105
Gross dividend income	(1,203)	(1,216)
Rental income	(6,610)	(5,857)
Operating cash flows before working capital changes	<u>30,681</u>	<u>30,164</u>
Changes in working capital:		
Increase in reinsurance assets	(266,044)	(148,359)
(Increase)/decrease in insurance receivables	(148,670)	66,018
Decrease in other assets	11,085	155,674
Decrease in financing receivables	1,003	-
(Increase)/decrease in amount due from related companies	(4,145)	106,484
Increase in other liabilities	34,996	31,176
Carried forward	<u>(341,094)</u>	<u>241,157</u>

ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTD.)

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Brought forward	(341,094)	241,157
Increase in insurance contract liabilities	310,249	144,143
Increase in insurance payables	93,683	75,472
Increase in financial assets at amortised costs (AC)	(151,134)	(225,998)
Operating cash flows after working capital changes	<u>(88,296)</u>	<u>234,774</u>
Interest income received	22,683	19,161
Dividend income received	1,170	1,091
Rental income received	6,580	5,286
Currency translation reserves	341	(711)
Tax paid	(22,617)	(28,333)
Net cash flows (used in)/generated from operating activities	<u>(80,139)</u>	<u>231,268</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	395,505	900,524
Purchase of investments	(351,528)	(1,120,180)
Proceeds from disposal of property, plant and equipment	1	7,034
Purchase of property, plant and equipment	(601)	(1,228)
Purchase of intangible assets	(862)	(3,050)
Net cash flows generated/(used in) investing activities	<u>42,515</u>	<u>(216,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid for subordinated obligations	-	(10,410)
Payment of lease liabilities	(859)	-
Net cash flows used in financing activities	<u>(859)</u>	<u>(10,410)</u>
Net increase in cash and cash equivalents	(38,483)	3,958
Cash and cash equivalents at beginning of period	<u>64,652</u>	<u>33,606</u>
Cash and cash equivalents at end of period	<u><u>26,169</u></u>	<u><u>37,564</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
Shareholder's funds	7,503	5,970
General funds	18,666	31,594
	<u><u>26,169</u></u>	<u><u>37,564</u></u>

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The unaudited interim condensed financial statements of the Company for the financial period ended 30 June 2019 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 (BNM).

The unaudited interim condensed 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 condensed financial statements do not include all the information and disclosures required in audited annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the financial year ended 31 December 2018.

The explanatory notes attached to the unaudited interim condensed 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 financial year ended 31 December 2018.

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

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

The unaudited interim condensed financial statements were approved for issue by the Board of Directors on 19 August 2019.

ETIQA GENERAL INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES

The audited annual financial statements of the Company for the financial year ended 31 December 2018 were prepared in accordance with MFRS and International Financial Reporting Standards (IFRS) and the requirement of the Companies Act, 2016 in Malaysia.

The significant accounting policies adopted in preparing these unaudited interim condensed financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 December 2018 except for the adoption of the following new Malaysian Financial Reporting Standards (MFRSs), Issues Committee (IC) Interpretations, amendments to MFRSs and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2019:

MFRS 16 Leases

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Annual Improvements to MFRSs 2015-2017 Cycle:

- (i) Amendments to MFRS 3 *Business Combinations* and MFRS 11 *Joint Arrangements*
- (ii) Amendments to MFRS 112 *Income Tax*
- (iii) Amendments to MFRS 123 *Borrowing Costs*

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

Changes in accounting policies - MFRS 16 Leases

MFRS 16 Leases

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Changes in accounting policies - MFRS 16 Leases (Contd.)

Leases previously classified as operating lease - The Company as lessee

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

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

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

The detailed financial impact of the adoption of MFRS 16 on the financial statements of the Company are disclosed in Note 32.

ETIQA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****Changes in accounting policies - MFRS 16 Leases (Contd.)****(a) Right-of-Use Assets (ROU)**

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

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

(b) Lease Liabilities

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

ETIQA GENERAL INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Changes in accounting policies - MFRS 16 Leases (Contd.)

(b) Lease Liabilities (Contd.)

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

(c) Short-Term Leases and Leases of Low-Value Assets

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(d) Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

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

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

ETIQA GENERAL INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited interim condensed 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. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ.

In preparing these unaudited interim condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2018 except for the measurement of right-of-use assets and lease liabilities under MFRS 16 which involves increased complexity and judgement as disclosed in Note 3.

5. AUDITOR'S REPORT ON PRECEDING AUDITED ANNUAL FINANCIAL STATEMENT

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2018 was not qualified.

6. 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 2019.

7. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2019.

8. CHANGES IN ESTIMATES

There were no material changes in estimates for the interim financial period ended 30 June 2019.

9. 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 2019.

ETIQA GENERAL INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

10. DIVIDEND PAID

No dividend has been paid or declared by the Company from the previous financial year ended 31 December 2018.

11. 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 condensed financial statements.

12. 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 2019.

ETIQA GENERAL INSURANCE BERHAD
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13. INVESTMENTS

	30.6.2019	31.12.2018
	RM'000	RM'000
Malaysian government papers	11,453	108,379
Equity securities	112,821	126,572
Debt securities	724,772	626,791
Deposits with financial institutions	396,908	245,774
	<u>1,245,954</u>	<u>1,107,516</u>

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

	30.6.2019	31.12.2018
	RM'000	RM'000
Fair value through profit and loss (FVTPL)		
- Designated upon initial recognition	13,535	12,704
- Held for trading (HFT)	112,821	126,572
Fair value through other comprehensive income (FVOCI)	722,690	722,466
Amortised Cost (AC)	396,908	245,774
	<u>1,245,954</u>	<u>1,107,516</u>

The following investments mature after 12 months:

	30.6.2019	31.12.2018
	RM'000	RM'000
FVOCI	<u>572,919</u>	<u>687,105</u>

ETIQA GENERAL INSURANCE BERHAD
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13. INVESTMENTS (CONTD.)

	30.6.2019	31.12.2018
	RM'000	RM'000
(a) FVTPL		
(i) Designated upon initial recognition		
<u>At fair value</u>		
Debt securities:		
Unquoted in Malaysia	5,002	5,028
Unquoted outside Malaysia	8,533	7,676
	<u>13,535</u>	<u>12,704</u>
(ii) HFT		
<u>At fair value</u>		
Equity securities:		
Quoted in Malaysia	29,131	42,784
Quoted outside Malaysia	-	98
Unquoted in Malaysia	83,690	83,690
	<u>112,821</u>	<u>126,572</u>
Total FVTPL financial assets	<u>126,356</u>	<u>139,276</u>
	30.6.2019	31.12.2018
	RM'000	RM'000
(b) FVOCI		
<u>At fair value</u>		
Malaysian government papers	11,453	108,379
Debt securities unquoted in Malaysia	711,237	614,087
Total FVOCI financial assets	<u>722,690</u>	<u>722,466</u>

ETIQA GENERAL INSURANCE BERHAD
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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	<----- Lifetime ECL -----> not credit	credit	Total
	ECL	impaired	impaired	ECL
30.6.2019	RM'000	RM'000	RM'000	RM'000
As at 1.1.2019	514	72	200	786
Net adjustment of loss allowance	(30)	(25)	-	(55)
New financial assets originated or purchased	288	-	-	288
Financial assets that have been derecognised	(77)	-	(25)	(102)
As at 30.6.2019	<u>695</u>	<u>47</u>	<u>175</u>	<u>917</u>
31.12.2018				
As at 1.1.2018	-	-	200	200
Effect of adopting MFRS 9	419	107	-	526
As at 1.1.2018 (as restated)	<u>419</u>	<u>107</u>	<u>200</u>	<u>726</u>
Net adjustment of loss allowance	2	(35)	-	(33)
New financial assets originated or purchased	314	-	-	314
Financial assets derecognised	(221)	-	-	(221)
As at 31.12.2018	<u>514</u>	<u>72</u>	<u>200</u>	<u>786</u>

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13. INVESTMENTS (CONTD.)

	30.6.2019	31.12.2018
	RM'000	RM'000
(c) AC		
<u>At cost</u>		
Fixed and call deposits with:		
Licensed banks	351,782	240,723
Other financial institutions	45,126	5,051
Total AC financial assets	<u>396,908</u>	<u>245,774</u>

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

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

Fair Value of Financial Investments

An analysis of the different fair value measurement basis used in the determination of the fair values of Investments are further disclosed in Note 30 of the unaudited interim condensed financial statements.

14. REINSURANCE ASSETS

	30.6.2019	31.12.2018
	RM'000	RM'000
Reinsurers' share of general insurance contract liabilities (Note 18):		
Claims liabilities*	2,627,512	2,448,675
Premium liabilities	344,523	257,315
	<u>2,972,035</u>	<u>2,705,990</u>
Allowance for impairment losses	(9,507)	(2,642)
	<u>2,962,528</u>	<u>2,703,348</u>

*Included in the reinsurance assets are balances due from related parties amounting to RM1,517,840 (2018: RM700,292).

Movements in the allowance for impairment losses on reinsurance assets are as follows:

	30.6.2019	31.12.2018
	RM'000	RM'000
Lifetime ECL		
As at 1.1.2019/1.1.2018	2,642	1,924
Net adjustment of loss allowance	6,865	718
As at 30.6.2019/31.12.2018	<u>9,507</u>	<u>2,642</u>

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15. INSURANCE RECEIVABLES

	30.6.2019	31.12.2018
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances*	449,992	304,554
Due from reinsurers and cedants*	46,620	43,769
	<u>496,612</u>	<u>348,323</u>
Allowance for impairment losses	(2,580)	(1,593)
	<u>494,032</u>	<u>346,730</u>

Movements in the allowance for impairment losses on insurance receivables are as follows:

	30.6.2019	31.12.2018
	RM'000	RM'000
Lifetime ECL		
As at 1.1.2019/1.1.2018	1,593	6,447
Effect of adopting MFRS 9	-	1,800
As at 1.1.2019/1.1.2018 (as restated)	<u>1,593</u>	<u>8,247</u>
Net adjustment of loss allowance	987	(6,654)
As at 30.6.2019/31.12.2018	<u>2,580</u>	<u>1,593</u>

*Included in the balances of due premiums including agents/brokers and co-insurers balances and due from reinsurance and cedants are balances from related parties amounting to RM7,596,136 and RM22,518,472 (2018: RM8,874,992 and RM11,646,206) respectively. The balances are subject to settlement terms stipulated in the underlying insurance contracts.

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

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16. OTHER ASSETS

	30.6.2019	31.12.2018
	RM'000	RM'000
Amount due from stockbrokers	240	5,261
Share of net assets in the Malaysian Motor Insurance Pool (MMIP)	52,985	56,398
Goods and Services Tax recoverable	2,624	7,640
	<u>55,849</u>	<u>69,299</u>
Sundry receivables, deposits and prepayments**	7,552	5,198
Allowance for impairment losses	(2)	(2)
	<u>7,550</u>	<u>5,196</u>
Income due and accrued	13,077	12,195
	<u>13,077</u>	<u>12,195</u>
Amounts due from related companies* (Note 28(b)):		
- Ultimate holding company	-	203
- Other related companies	3,293	3,963
	<u>3,293</u>	<u>4,166</u>
Total Other Assets	<u>79,769</u>	<u>90,856</u>

Movements in the allowance for impairment losses on other assets are as follows:

	30.6.2019	31.12.2018
	RM'000	RM'000
Lifetime ECL		
As at 1.1.2019/1.1.2018	2	-
Effect of adopting MFRS 9	-	2
As at 1.1.2019/1.1.2018 (as restated)	<u>2</u>	<u>2</u>
Net adjustment of loss allowance	-	-
As at 30.6.2019/31.12.2018	<u>2</u>	<u>2</u>

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

**Included in the sundry receivables, deposits and prepayments and income due and accrued are balances due from related parties amounting to NIL and RM2,749,909 (2018: NIL and RM871,203) respectively.

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

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17. OTHER RESERVES

	Revaluation reserve RM'000	Currency translation reserve RM'000	Total RM'000
30.6.2019			
As at 1.1.2019	76,391	13,876	90,267
Other comprehensive income	-	341	341
As at 30.6.2019	<u>76,391</u>	<u>14,217</u>	<u>90,608</u>
30.6.2018			
As at 1.1.2018	1,073	13,647	14,720
Other comprehensive loss	-	(711)	(711)
As at 30.6.2018	<u>1,073</u>	<u>12,936</u>	<u>14,009</u>

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

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

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18. INSURANCE CONTRACT LIABILITIES

	←----- 30.6.2019 ----->			←----- 31.12.2018 ----->		
	Gross RM'000	Reinsurance RM'000 (Note 14)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 14)	Net RM'000
Claims liabilities (i)	2,962,174	(2,627,512)	334,662	2,764,447	(2,448,675)	315,772
Premium liabilities (ii)	591,287	(344,523)	246,764	478,765	(257,315)	221,450
	<u>3,553,461</u>	<u>(2,972,035)</u>	<u>581,426</u>	<u>3,243,212</u>	<u>(2,705,990)</u>	<u>537,222</u>

(i) Claims liabilities

	←----- 30.6.2019 ----->			←----- 31.12.2018 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2019/1.1.2018	2,764,447	(2,448,675)	315,772	2,710,436	(2,387,292)	323,144
Claims incurred in the current accident period/year	514,824	(393,875)	120,949	623,354	(407,003)	216,351
Other movements in claims incurred in prior accident years	(84,158)	92,656	8,498	(68,309)	68,168	(141)
Claims paid during the period/year	(230,527)	118,108	(112,419)	(520,768)	294,449	(226,319)
Movements in Unallocated Loss Adjustment Expenses (ULAE)	473	-	473	1,055	-	1,055
Movements in Provision of Risk Margin for Adverse Deviation (PRAD)	(2,885)	4,274	1,389	18,679	(16,997)	1,682
As at 30.6.2019/31.12.2018	<u>2,962,174</u>	<u>(2,627,512)</u>	<u>334,662</u>	<u>2,764,447</u>	<u>(2,448,675)</u>	<u>315,772</u>

(ii) Premium liabilities

	←----- 30.6.2019 ----->			←----- 31.12.2018 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1.1.2019/1.1.2018	478,765	(257,315)	221,450	412,084	(223,107)	188,977
Premiums written in the period/year	725,798	(456,586)	269,212	1,215,077	(757,123)	457,954
Premiums earned during the period/year	(613,276)	369,378	(243,898)	(1,148,396)	722,915	(425,481)
As at 30.6.2019/31.12.2018	<u>591,287</u>	<u>(344,523)</u>	<u>246,764</u>	<u>478,765</u>	<u>(257,315)</u>	<u>221,450</u>

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19. INSURANCE PAYABLES

	30.6.2019	31.12.2018
	RM'000	RM'000
Due to agents and intermediaries	48,632	62,430
Due to reinsurers and cedants	448,897	341,416
	<u>497,529</u>	<u>403,846</u>

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

20. OTHER LIABILITIES

	30.6.2019	31.12.2018
	RM'000	RM'000
ROU lease liabilities	7,461	-
Amount due to related companies* (Note 28(b)):		
- Ultimate holding company	322	-
- Immediate holding company	849	1,564
- Other related companies	2,668	7,291
Amount due to subsidiary* (Note 28(b)):	1,630	1,632
Amount due to stockbrokers	48,702	-
Sundry payables and accrued liabilities**	72,699	86,207
	<u>134,331</u>	<u>96,694</u>

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

**Included in the sundry payables and accrued liabilities is balance due to related parties amounting to NIL (2018: RM18,316).

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

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21. NET EARNED PREMIUMS

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
(a) Gross earned premiums		
Gross premiums	725,798	659,388
Change in premium liabilities	(112,522)	(127,148)
Gross earned premiums	<u>613,276</u>	<u>532,240</u>
(b) Earned premium ceded to reinsurers		
Gross premiums ceded to reinsurer	(456,586)	(442,226)
Change in premium liabilities	87,208	114,176
Gross earned premiums ceded to reinsurers	<u>(369,378)</u>	<u>(328,050)</u>
Net earned premium	<u>243,898</u>	<u>204,190</u>

22. INVESTMENT INCOME

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
FVTPL Financial Assets		
(i) Designated upon initial recognition		
Interest income	<u>492</u>	<u>1,146</u>
(ii) HFT		
Dividend income		
- Quoted in Malaysia	403	1,208
- Quoted outside Malaysia	-	3
- Unquoted in Malaysia	800	-
- Unit and property trusts	-	5
	<u>1,203</u>	<u>1,216</u>
FVOCI Financial Assets		
Interest income	<u>17,632</u>	<u>17,133</u>

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22. INVESTMENT INCOME (CONTD.)

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
AC Financial Assets		
Interest income	4,707	8,527
Interest income from financing receivables and other loans	660	520
Rental income	6,610	5,856
Rental expense	(627)	(367)
Amortisation of premiums	(628)	(340)
Other investment income	11	-
Investment related expenses	(85)	(63)
	<u>5,941</u>	<u>5,606</u>
Total investment income	<u>29,975</u>	<u>33,628</u>

23. OTHER OPERATING (EXPENSES)/INCOME, NET

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Other income		
Realised gain on foreign exchange	1	-
Reversal of impairment losses on		
- Financing receivables	103	16
- Insurance receivables	-	5,251
- Reinsurance assets	-	1,924
Bad debts recoveries from other assets	-	223
Sundry income	3,081	3,615
Other expenses		
Impairment losses on		
- Insurance receivables	(987)	-
- Reinsurance assets	(6,865)	-
- Debt securities	(131)	(105)
Bad debts written off	(381)	-
Unrealised loss on foreign exchange	(282)	(553)
Realised loss on foreign exchange	(8)	(70)
Sundry expenditure	(106)	(122)
Total other operating (expenses)/income, net	<u>(5,575)</u>	<u>10,179</u>

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24. MANAGEMENT EXPENSES

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Employee benefits expense (Note 24(a))	45,096	42,607
Directors' fee and remuneration (Note 25)	475	478
Auditors' remuneration:		
- Statutory audit	153	151
- Regulatory related services	7	12
Amortisation of intangible assets	3,004	3,016
Amortisation of prepaid land lease payments	-	62
Bank charges	2,606	2,484
Depreciation of property, plant and equipment	1,317	1,961
Depreciation of ROU assets	1,153	-
Lease interest on ROU assets	133	-
Other management fees	2,425	6,694
Professional fees	958	1,673
Auto assist services	803	967
Rental of offices/premises	2,084	2,463
Electronic data processing expenses	(763)	1,890
Information technology outsourcing	2,751	1,025
Postage and stamp duties	268	637
Printing and stationery	7	554
Promotional and marketing cost	9,559	7,156
Training expenses	405	527
Utilities, assessment and maintenance	866	2,429
Entertainment	195	237
Travelling expenses	663	744
Office facilities expenses	256	639
Legal fees	72	129
Other expenses	2,161	1,829
Total management expenses	76,654	80,364
(a) Employee benefits expense:		
Wages and salaries	34,164	32,203
EPF and TAP	5,503	5,054
SOCSO	229	217
Share-based compensation	378	26
Other benefits	4,822	5,107
	45,096	42,607

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24. MANAGEMENT EXPENSES (CONTD.)

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

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Salaries	322	292
Bonus	326	270
EPF and Pension Scheme	104	90
Share-based compensation	35	-
Other emoluments	20	27
	<u>807</u>	<u>679</u>

25. DIRECTORS' FEES AND REMUNERATION

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Executive director:		
Fees	60	59
Allowance	6	5
Other emoluments	-	5
	<u>66</u>	<u>69</u>
Non-executive directors:		
Fees	350	380
Allowance	36	29
Other emoluments	23	-
	<u>409</u>	<u>409</u>
Total Directors' Fees and Remuneration	<u>475</u>	<u>478</u>

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25. DIRECTORS' FEES AND REMUNERATION (CONTD.)

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

	Fees RM'000	Allowance RM'000	Other emoluments RM'000	Total RM'000
1.1.2019 to 30.6.2019				
Executive director				
Puan Nora Abd. Manaf	60	6	-	66
	<u>60</u>	<u>6</u>	<u>-</u>	<u>66</u>
Non-executive directors				
Datuk Mohd Najib Abdullah (Chairman)	90	8	-	98
Mr. Philippe Pol Arthur Latour	60	6	-	66
Dato' Johan Ariffin	20	2	-	22
Mr. Loh Lee Soon	60	6	6	72
Mr. Frank J.G Van Kempen	60	6	-	66
Mr. Koh Heng Kong	60	8	17	85
	<u>350</u>	<u>36</u>	<u>23</u>	<u>409</u>
	<u>410</u>	<u>42</u>	<u>23</u>	<u>475</u>
1.1.2018 to 30.6.2018				
Executive director				
Puan Nora Abd. Manaf	59	5	5	69
	<u>59</u>	<u>5</u>	<u>5</u>	<u>69</u>
Non-executive directors				
Datuk R. Karunakaran (Chairman)	85	5	-	90
Mr. Philippe Pol Arthur Latour	59	4	-	63
Dato' Johan Ariffin	59	5	-	64
Mr. Loh Lee Soon	59	5	-	64
Mr. Frank J.G Van Kempen	59	5	-	64
Mr. Koh Heng Kong	59	5	-	64
	<u>380</u>	<u>29</u>	<u>-</u>	<u>409</u>
	<u>439</u>	<u>34</u>	<u>5</u>	<u>478</u>

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26. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial period ended 30 June 2019 and 30 June 2018 are:

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
<u>Income Statement:</u>		
<u>Income tax:</u>		
Current financial period		
- Malaysia	14,169	14,342
Under provision of taxation in prior financial period	-	10
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences	(1,689)	474
Income tax expense recognised in income statement	12,480	14,826
<u>Statement of Comprehensive Income:</u>		
Deferred income tax related to other comprehensive income:		
- Fair value changes on FVOCI investments	6,353	(748)

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26. INCOME TAX EXPENSE (CONTD.)

Reconciliation between tax expense and accounting profit

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

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Profit before taxation	<u>53,080</u>	<u>46,018</u>
Taxation at Malaysian statutory tax rate of 24%	12,739	11,044
Income not subject to tax	(853)	(1,512)
Expenses not deductible for tax purposes	594	3,617
Under provision of deferred taxation	-	1,667
Under provision of taxation in prior financial period	-	10
Tax expense for the financial period	<u>12,480</u>	<u>14,826</u>

Domestic income tax for shareholder's fund and general fund are calculated on the estimated assessable profit for the financial period at Malaysian statutory tax rate of 24% (2018: 24%)

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27. 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:

	30.6.2019	31.12.2018
	RM'000	RM'000
Within 1 year	4,126	4,633
After 1 year but not more than 5 years	16,505	16,875
	<u>20,631</u>	<u>21,508</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:

	30.6.2019	31.12.2018
	RM'000	RM'000
Within 1 year	10,807	10,442
After 1 year but not more than 5 years	41,362	40,324
	<u>52,169</u>	<u>50,766</u>

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28. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2019	31.12.2018
	RM'000	RM'000
Approved and contracted for:		
Property, plant and equipment	123	79
Intangible assets	3,249	603
	<u>3,372</u>	<u>682</u>
Approved and not contracted for:		
Property, plant and equipment	4,851	-
Intangible assets	143	112
	<u>4,994</u>	<u>112</u>

29. 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 shareholder, fellow subsidiaries, subsidiary, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholder.

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

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

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	3,528	7,359
Commissions and fees expenses	(12,324)	(12,328)
Claims paid	(280)	(1,257)
Interest income	1,943	1,607
Rental income	291	283
Other expenses	(150)	(333)

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29. 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.):

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Immediate holding company:		
Rental income	30	43
Shared service cost	(4,332)	(4,822)
Fellow subsidiaries within the MAHB Group:		
Gross premium income	14,704	12,267
Premium ceded to reinsurers	(12,806)	(11,669)
Commissions and fee expenses	(5,767)	(4,416)
Reinsurance commission income	6,028	4,066
Rental income	4,632	2,696
Rental expenses	(1,003)	-
Shared service cost	(3,150)	(8,916)
Claims paid	(884)	(1,945)
Claims recovery from reinsurers	1,557	847
Other income	418	243
Other expenses	(54)	(21)
Other related companies within the MBB Group:		
Gross premium income	1,462	211
Interest income	974	810
Rental income	-	14
Information technology outsourcing	(2,751)	(1,025)
Companies with significant influence over the MBB Group:		
Gross insurance premium income	630	-
Claims paid	(298)	-
Interest on subordinated obligation	-	(5,429)
Shareholder of holding company:		
Remuneration of seconded employee	-	(147)

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

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

	30.6.2019	31.12.2018
	RM'000	RM'000
Ultimate holding company:		
Fixed and call deposits	94,417	104,112
Derivatives	168	81
Bank balances	12,492	35,304
Income due and accrued	1,830	681
Outstanding premiums	7,478	8,875
Claim liabilities	(58,246)	(57,683)
Amount due (to)/from ultimate holding company	<u>(82)</u>	<u>203</u>
Immediate holding company:		
Outstanding premiums	58	20
Amount due to immediate holding company	<u>(849)</u>	<u>(1,564)</u>
Fellow subsidiaries within the MAHB Group:		
Amount due from reinsurers and cedants	22,518	11,646
Reinsurance assets	1,518	700
Claims liabilities	(4,959)	(4,959)
Amount due from other related companies	3,019	3,880
Amount due to other related companies	<u>(2,585)</u>	<u>(7,208)</u>
Other related companies within the MBB Group:		
Fixed and call deposits	33,765	33,527
Outstanding premiums	60	-
Income due and accrued	920	190
Claims liabilities	(50)	(50)
Amount due from other related companies	275	83
Amount due to other related companies	(323)	(83)
Other payables	<u>-</u>	<u>(18)</u>
Companies with significant influence over the MBB Group:		
Claims liabilities	<u>(624)</u>	<u>(903)</u>

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

- (b) Included in the statements of financial position of the Company are amounts due from/(to) related companies as follows (Contd.) :

	30.6.2019	31.12.2018
	RM'000	RM'000
Subsidiary:		
Amount due to subsidiary	<u>(1,630)</u>	<u>(1,632)</u>

- (c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company includes Directors and CEO.

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

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	690	596
- Fees	410	439
- EPF and pension scheme	104	90
- Share-based compensation	35	-
- Other emoluments and benefits-in-kind	43	32
	<u>1,282</u>	<u>1,157</u>

- (ii) The number of shares awarded for Employee Share Grant Plan (ESGP) to key management personnel were as follows:

	30.6.2019	31.12.2018
	'000	'000
- Number of ESGP Shares awarded	<u>248</u>	<u>220</u>

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30. 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 into the following hierarchies/levels:

- **Level 1 : Active Market – Quoted price**

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include 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 techniques using unobservable input**

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

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

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30. FAIR VALUE MEASUREMENTS (CONTD.)

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

	Valuation technique used:			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant nobservable inputs RM'000	
30.6.2019				
<u>Assets</u>				
Investment Properties	-	-	270,757	270,757
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities, structured products and NCDs	-	13,535	-	13,535
(ii) HFT				
Equity securities	29,131	-	83,690	112,821
Financial assets at FVOCI				
Equity securities				-
Malaysian government papers	-	11,453	-	11,453
Debt securities, structured products and NCDs	-	711,237	-	711,237
Derivative assets	-	168	-	168
Total Assets	29,131	736,393	354,447	1,119,971

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30. FAIR VALUE MEASUREMENTS (CONTD.)

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

	<u>Valuation technique used:</u>			Total RM'000
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant nobservable inputs RM'000	
31.12.2018				
<u>Assets</u>				
Investment Properties	-	-	270,757	270,757
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities, structured products and NCDs	-	12,704	-	12,704
(ii) HFT				
Equity securities	42,882	-	83,690	126,572
Financial assets at FVOCI				
Malaysian government papers	-	108,379	-	108,379
Debt securities, structured products and NCDs	-	614,087	-	614,087
Derivative assets	-	82	-	82
Total Assets	42,882	735,252	354,447	1,132,581

(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 determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the financial period ended 30 June 2019.

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30. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Reconciliation of Level 3 fair value hierarchy

	Financial instruments measured at fair value		
	Investment properties RM'000	Designated at FVTPL/HFT RM'000	Total RM'000
30.6.2019			
As at 1.1.2019 and 30.6.2019	270,757	83,690	354,447
31.12.2018			
As at 1.1.2018	112,734	45,502	158,236
Effect of adopting MFRS 9	-	34,770	34,770
At 1.1.2018 (as restated)	112,734	80,272	193,006
Recognised in the income statement:			
Fair value gain	17,978	3,418	21,396
Addition	140,565	-	140,565
Disposal	(520)	-	(520)
As at 31.12.2018	270,757	83,690	354,447
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting period	17,978	3,418	21,396

(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.

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

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31. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2019 and 31 December 2018, as prescribed under the RBC Framework is provided below:

	30.6.2019	31.12.2018
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	229,879	229,879
Reserves, including retained earnings	678,458	637,858
	<u>908,337</u>	<u>867,737</u>
Tier 2 Capital		
Revaluation reserve	76,391	76,391
FVOCI reserves	21,316	1,197
Currency translation reserve	14,217	13,876
	<u>111,924</u>	<u>91,464</u>
Amount deducted from Capital	<u>(74,227)</u>	<u>(76,369)</u>
Total Capital Available	<u>946,034</u>	<u>882,832</u>

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32. EARNINGS PER SHARE

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

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Profit attributable to ordinary equity holders	<u>40,600</u>	<u>31,192</u>
	30.6.2019	30.6.2018
	'000	'000
Number of ordinary shares in issue	<u>212,151</u>	<u>152,151</u>
	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	sen	sen
Basic earnings per share	<u>19.14</u>	<u>20.50</u>

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

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33. FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF MFRS 16 LEASES

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

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

Reconciliation of lease liabilities:

	RM'000
Operating lease commitments as at 31 December 2018	21,508
Current leases with a lease term of 12 months or less (short-term leases)	(22)
Leases of low-value-assets (low-value leases)	(2,934)
Variable lease payments	(8,296)
Out of Scope	<u>(7,381)</u>
Operating lease commitments as at 1 January 2019 (gross, without discounting)	2,875
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(411)
Operating lease commitments as at 1 January 2019 (net, discounted)	<u>2,464</u>
Reasonably certain extension or termination options	<u>5,746</u>
Total lease liabilities as at 1 January 2019	<u><u>8,210</u></u>

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

	MFRS 117 31.12.2018 RM'000	Modified retrospective - adjustments to MFRS 16 RM'000	MFRS 16 1.1.2019 RM'000
ASSETS			
Right-of-use assets	-	8,210	8,210
LIABILITIES			
Other liabilities - ROU lease liabilities	<u>-</u>	<u>8,210</u>	<u>8,210</u>

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**33. FINANCIAL EFFECTS ARISING FROM THE THE ADOPTION OF MFRS 16 LEASES
 (CONTD.)**

(iii) The impact of the application of MFRS 16 to the Income Statement for the period ended 30 June 2019 are shown as below:

	RM'000
ROU - Depreciation	1,153
ROU - Lease interest expenses	<u>133</u>

The adjustments from the initial application of MFRS 16 reflect the depreciation of ROU assets and ROU interest expense from the compounding of lease liabilities for leases categorised as operating leases until 31 December 2018.

(iv) The impact of the application of MFRS 16 on the Cash Flows Statement for the period ended 30 June 2019 are shown as below:

	RM'000
Cash flows from operating activities	
- ROU Depreciation	1,153
- ROU Lease interest expenses	<u>133</u>
Cash flows from financing activities	
- Payment of lease liabilities	<u>(859)</u>

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34. INSURANCE FUNDS

The Company's principal activities are organised by funds and segregated into Shareholder's and General 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 General insurance business offer general insurance products include Motor, Fire, Marine, Aviation and Transit and Miscellaneous products.

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total		Shareholder's Fund		General Fund	
	30.6.2019 RM'000	31.12.2018 RM'000	30.6.2019 RM'000	31.12.2018 RM'000	30.6.2019 RM'000	31.12.2018 RM'000
Assets:						
Property, plant and equipment	8,472	9,188	432	455	8,040	8,733
Investment properties	270,757	270,757	139,330	139,330	131,427	131,427
Prepaid land lease payments	-	-	-	-	-	-
Right of Use Assets	7,167	-	-	-	7,167	-
Intangible assets	39,227	41,369	-	-	39,227	41,369
Investment in associate	152	152	152	152	-	-
Investments	1,245,954	1,107,516	731,903	624,022	514,051	483,494
Financing receivables	27,803	28,703	26,797	27,620	1,006	1,083
Reinsurance assets	2,962,528	2,703,348	-	-	2,962,528	2,703,348
Insurance receivables	494,032	346,730	-	-	494,032	346,730
Other assets	79,769	90,856	9,678	11,280	70,091	79,576
Derivative assets	168	82	-	-	168	82
Current tax assets	82,397	73,949	32,676	21,224	49,721	52,725
Cash and bank balances	26,169	64,652	6,216	4,385	19,953	60,267
Total Assets	5,244,595	4,737,302	947,184	828,468	4,297,411	3,908,834

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34. INSURANCE FUNDS (CONTD.)

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

	Total		Shareholder's Fund		General Fund	
	30.6.2019 RM'000	31.12.2018 RM'000	30.6.2019 RM'000	31.12.2018 RM'000	30.6.2019 RM'000	31.12.2018 RM'000
<u>Equity and liabilities:</u>						
Share capital	229,879	229,879	229,879	229,879	-	-
Reserves	790,382	729,322	672,068	580,701	118,314	148,621
	<u>1,020,261</u>	<u>959,201</u>	<u>901,947</u>	<u>810,580</u>	<u>118,314</u>	<u>148,621</u>
Insurance contract liabilities	3,553,461	3,243,212	-	-	3,553,461	3,243,212
Deferred tax liabilities, net	39,013	34,349	17,605	13,297	21,408	21,052
Insurance payables	497,529	403,846	-	-	497,529	403,846
Other liabilities ¹	134,331	96,694	27,632	4,591	106,699	92,103
Total Liabilities	<u>4,224,334</u>	<u>3,778,101</u>	<u>45,237</u>	<u>17,888</u>	<u>4,179,097</u>	<u>3,760,213</u>
Total equity and liabilities	<u>5,244,595</u>	<u>4,737,302</u>	<u>947,184</u>	<u>828,468</u>	<u>4,297,411</u>	<u>3,908,834</u>
Inter fund balances	-	-	(18,011)	(14,505)	18,011	14,505

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

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34. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM INCOME STATEMENT/ REVENUE ACCOUNTS BY FUNDS

	Total		Shareholder's Fund		General Fund	
	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Operating revenue	755,772	693,016	14,619	19,031	741,153	673,985
Gross earned premiums	613,276	532,240	-	-	613,276	532,240
Earned premiums ceded to reinsurers	(369,378)	(328,050)	-	-	(369,378)	(328,050)
Net earned premiums	243,898	204,190	-	-	243,898	204,190
Fee and commission income	36,230	33,472	-	-	36,230	33,472
Investment income	29,975	33,628	14,619	19,031	15,356	14,597
Realised gains	702	725	1,926	902	(1,224)	(177)
Fair value gains/(losses)	5,178	(10,334)	1,818	(5,254)	3,360	(5,080)
Other operating expenses	(5,575)	10,179	32	(200)	(5,607)	10,379
Other revenue	66,510	67,670	18,395	14,479	48,115	53,191
Gross benefits and claims paid	(230,527)	(255,317)	-	-	(230,527)	(255,317)
Claims ceded to reinsurers	118,108	147,073	-	-	118,108	147,073
Gross change to contract liabilities	(197,728)	(16,995)	-	-	(197,728)	(16,995)
Change in contract liabilities ceded to reinsurers	178,837	34,183	-	-	178,837	34,183
Net benefits and claims	(131,310)	(91,056)	-	-	(131,310)	(91,056)
Management expenses	(76,654)	(80,364)	(1,977)	(4,034)	(74,677)	(76,330)
Fee and commission expenses	(49,364)	(44,178)	-	-	(49,364)	(44,178)
Interest on subordinated obligation	-	(10,244)	-	(10,244)	-	-
Other expenses	(126,018)	(134,786)	(1,977)	(14,278)	(124,041)	(120,508)
Surplus for the period	53,080	46,018	16,418	201	36,662	45,817
Taxation	(12,480)	(14,826)	(4,126)	(2,715)	(8,354)	(12,111)
Net profit for the period	40,600	31,192	12,292	(2,514)	28,308	33,706
Surplus transfer (net of tax) from:						
- General Funds	-	-	28,308	33,706	(28,308)	(33,706)
Net profit for the period	40,600	31,192	40,600	31,192	-	-

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34. INSURANCE FUNDS (CONTD.)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund	
	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Cash flows from:						
Operating activities	(80,139)	231,268	(19,877)	176,007	(60,262)	55,261
Investing activities	42,515	(216,900)	22,993	(163,191)	19,522	(53,709)
Financing activities	(859)	(10,410)	-	(10,410)	(859)	-
Net (decrease)/increase in cash and cash equivalents	(38,483)	3,958	3,116	2,406	(41,599)	1,552
Cash and cash equivalents:						
Cash and cash equivalents at beginning of period	64,652	33,606	4,387	3,564	60,265	30,042
Cash and cash equivalents at end of period	26,169	37,564	7,503	5,970	18,666	31,594