



ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

Unaudited Interim Condensed Financial Statements
for the six months financial period ended 30 June 2021

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ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	30.6.2021 RM'000	31.12.2020 RM'000
Assets:			
Property, plant and equipment		13,832	13,576
Investment properties		287,860	287,860
Right-of-use assets ("ROU")		5,137	6,036
Intangible assets		30,385	32,702
Investment in subsidiary		* -	* -
Investment in associate		152	152
Investments	13	1,577,511	1,560,438
Financing receivables		26,833	27,830
Reinsurance assets	14	4,966,296	3,930,463
Insurance receivables	15	359,399	257,723
Other assets	16	66,189	75,205
Derivative assets		-	6,099
Current tax assets	17	41,275	41,275
Cash and bank balances		82,379	31,962
Total Assets		<u>7,457,248</u>	<u>6,271,321</u>
Equity:			
Share capital		229,879	229,879
Reserves	18	908,312	931,470
Total Equity		<u>1,138,191</u>	<u>1,161,349</u>
Liabilities:			
Insurance contract liabilities	19	5,616,521	4,595,728
Derivative liabilities		728	-
Deferred tax liabilities, net		27,671	46,516
Insurance payables	20	450,578	379,265
Other liabilities	21	140,815	78,870
Dividend payable	10	59,996	-
Current tax liabilities		22,748	9,593
Total Liabilities		<u>6,319,057</u>	<u>5,109,972</u>
Total Equity and Liabilities		<u>7,457,248</u>	<u>6,271,321</u>

* Representing RM 1

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

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UNAUDITED INTERIM CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2021

		1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Operating revenue		<u>808,522</u>	<u>776,353</u>
Gross earned premiums		691,064	653,612
Earned premiums ceded to reinsurers		<u>(458,074)</u>	<u>(406,460)</u>
Net earned premiums	22	<u>232,990</u>	<u>247,152</u>
Fee and commission income	23	27,928	27,846
Investment income	24	30,756	29,206
Realised gains/(losses)		13,481	(2,102)
Fair value (losses)/gains		(25,829)	2,429
Other operating income/(expenses), net	25	<u>11,147</u>	<u>(508)</u>
Other revenue		<u>57,483</u>	<u>56,871</u>
Gross benefits and claims paid		(257,835)	(86,694)
Claims ceded to reinsurers		151,272	(8,115)
Gross change to contract liabilities		(934,092)	(120,364)
Change in contract liabilities ceded to reinsurers		<u>935,190</u>	<u>85,852</u>
Net benefits and claims		<u>(105,465)</u>	<u>(129,321)</u>
Management expenses	26	(61,487)	(71,215)
Fee and commission expenses	28	<u>(34,156)</u>	<u>(35,995)</u>
Other expenses		<u>(95,643)</u>	<u>(107,210)</u>
Profit before tax		89,365	67,492
Taxation	29	<u>(19,244)</u>	<u>(16,161)</u>
Net profit for the financial period		<u>70,121</u>	<u>51,331</u>
Basic earnings per share (sen)	30	<u>33.05</u>	<u>24.20</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 2020 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2021

	Note	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Net profit for the financial period		<u>70,121</u>	<u>51,331</u>
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to income statement:			
Change in value of financial assets at Fair Value through Other Comprehensive Income ("FVOCI")			
- Fair value changes		(40,811)	22,266
- Transfer to profit or loss upon disposal		(3,709)	(19,404)
Tax effect relating to FVOCI financial assets	29	10,685	(687)
		(33,835)	2,175
Currency translation differences		<u>552</u>	<u>219</u>
Other comprehensive (loss)/income for the financial period, net of tax		<u>(33,283)</u>	<u>2,394</u>
Total comprehensive income for the financial period		<u>36,838</u>	<u>53,725</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 2020 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 FINANCIAL PERIOD ENDED 30 JUNE 2021

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

	Share Capital RM'000	FVOCI Reserve RM'000	Revaluation Reserve RM'000	Currency Translation Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 January 2021	229,879	32,413	76,391	13,843	808,823	1,161,349
Net profit for the financial period	-	-	-	-	70,121	70,121
Other comprehensive (loss) / income for the financial period	-	(33,835)	-	552	-	(33,283)
Total comprehensive (loss) / income for the financial period	-	(33,835)	-	552	70,121	36,838
Dividend on ordinary shares	-	-	-	-	(59,996)	(59,996)
At 30 June 2021	229,879	(1,422)	76,391	14,395	818,948	1,138,191
At 1 January 2020	229,879	28,710	76,391	13,969	714,629	1,063,578
Net profit for the financial period	-	-	-	-	51,331	51,331
Other comprehensive income for the financial period	-	2,175	-	219	-	2,394
Total comprehensive income for the financial period	-	2,175	-	219	51,331	53,725
Dividend on ordinary shares	-	-	-	-	(29,998)	(29,998)
At 30 June 2020	229,879	30,885	76,391	14,188	735,962	1,087,305

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ETIQA GENERAL INSURANCE BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2021

	Note	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		89,365	67,492
Adjustments for:			
Depreciation of property, plant and equipment	26	1,659	1,429
Amortisation of intangible assets	26	3,178	3,050
Depreciation of right-use-assets	26	1,090	1,153
Lease liabilities interest	26	66	95
Fair value losses/(gains) on financial assets at fair value through profit and loss (FVTPL)		12,904	(2,429)
Amortisation of premium on investments	24	335	156
Net (gain)/loss on foreign exchange	25	(6,974)	1,929
Reversal of impairment losses on reinsurance asset (Reversal of)/allowance for impairment losses	25	(454)	(3,727)
on insurance receivables	25	(3,975)	4,422
Written off/(recovery) bad debts	25	103	(3)
Write back for impairment of other receivables	25	(1)	-
Allowance for impairment losses on financing receivables	25	48	216
(Gain)/loss on disposal of investments		(4,859)	2,102
Interest income	24	(24,495)	(24,363)
Allowance for/(reversal of) allowance for impairment losses on investments	25	314	(129)
Gross dividend income	24	(1,655)	(718)
Rental income	24	(6,908)	(6,448)
Operating cash flows before working capital changes		59,741	44,227
Changes in working capital:			
Increase in reinsurance assets		(1,035,379)	(183,243)
Increase in insurance receivables		(97,804)	(201,614)
Decrease in other assets		11,398	173
Decrease/(increase) in financing receivables		948	(359)
Decrease/(increase) in amount due from related companies		1,475	(4,723)
Increase in other liabilities		69,461	2,664
Carried forward		(990,160)	(342,875)

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTD.)

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Brought forward	(990,160)	(342,875)
Increase in insurance contract liabilities	1,020,793	213,899
Increase in insurance payables	71,312	178,013
Decrease/(Increase) in placement of deposits with financial institutions	141,900	(176,661)
Interest income received	22,822	25,616
Dividend income received	1,576	739
Rental income received	6,812	6,250
Currency translation reserves	553	219
Tax paid	(14,251)	(19,474)
Tax refund	-	58,016
Net cash flows generated/(used in) operating activities	<u>261,357</u>	<u>(56,258)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	414,529	850,674
Purchase of investments	(623,742)	(746,460)
Proceeds from disposal of property, plant and equipment	-	4,467
Purchase of property, plant and equipment	(1,949)	(2,204)
Proceeds from disposal of derivatives	1,796	-
Purchase of intangible assets	(825)	(286)
Net cash flows (used in)/generated from investing activities	<u>(210,191)</u>	<u>106,191</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(29,998)
Payment of lease liabilities	(749)	(1,996)
Net cash flows used in financing activities	<u>(749)</u>	<u>(31,994)</u>
Net increase in cash and cash equivalents	50,417	17,939
Cash and cash equivalents at beginning of financial period	31,962	9,443
Cash and cash equivalents at end of financial period	<u>82,379</u>	<u>27,382</u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
Shareholder's fund	26,316	734
General fund	56,063	26,648
	<u>82,379</u>	<u>27,382</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 2020 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2021**

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, penultimate and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB"), Etiqa International Holdings Sdn Bhd ("EIHSB") and Malayan Banking Berhad ("MBB") respectively, all 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 period ended 30 June 2021 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") 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 audited annual financial statements of the Company for the financial year ended 31 December 2020.

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 2020.

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 12 August 2021.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTD.)**

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2020 except for the adoption of the following accounting amendments to Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB") that are effective for the Company's financial year beginning 1 January 2021 and 1 June 2021:

- (i) **Effective for financial periods beginning on or after 1 January 2021:**
Interest Rate Benchmark Reform-Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

- (ii) **Effective for financial periods beginning on or after 1 June 2021:**
MFRS 16 *Leases* (Amendment to MFRS 16): *Covid-19- Related Rent Concessions*

The adoption of the above amended standards do not have any significant financial impacts to the Company's financial statements.

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 2020.

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

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2020 was not qualified.

**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTD.)**

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 2021.

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 2021.

8. CHANGES IN ESTIMATES

There were no material changes in estimates for the interim financial period ended 30 June 2021.

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 2021.

10. DIVIDENDS

A final single-tier tax exempt dividend of 28.28sen per ordinary share on 212,151,399 ordinary shares amounting to RM59,996,415.64 for the financial year ended 31 December 2020 was approved by the shareholders in Annual General Meeting ("AGM") held on 7 April 2021. Thereafter, the final dividend was paid on 4 August 2021.

11. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

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

12. CHANGES IN THE COMPOSITION OF THE COMPANY

There was no changes in the composition of the Company during the interim financial period ended 30 June 2021.

13. INVESTMENTS

	30.6.2021	31.12.2020
	RM'000	RM'000
Malaysian government papers	215,081	94,373
Equity securities	142,904	177,691
Debt securities	839,482	765,918
Unit and property trust fund	1,015	1,527
Deposits with financial institutions	379,029	520,929
	<u>1,577,511</u>	<u>1,560,438</u>

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

	30.6.2021	31.12.2020
	RM'000	RM'000
Fair value through profit and loss ("FVTPL")		
- Designated upon initial recognition	17,756	17,014
- Held for trading ("HFT")	140,366	179,218
Fair value through other comprehensive income ("FVOCI")	1,040,360	843,277
Amortised Cost ("AC")	379,029	520,929
	<u>1,577,511</u>	<u>1,560,438</u>

The following investments mature after 12 months:

	30.6.2021	31.12.2020
	RM'000	RM'000
FVTPL		
- Designated upon initial recognition	12,192	17,014
FVOCI	1,017,247	773,227
	<u>1,029,439</u>	<u>790,241</u>

13. INVESTMENTS (CONTD.)

	30.6.2021 RM'000	31.12.2020 RM'000
(a) FVTPL		
(i) Designated upon initial recognition		
<u>At fair value</u>		
Debt securities:		
Unquoted in Malaysia	5,004	5,060
Unquoted outside Malaysia	12,752	11,954
Total financial assets designated as FVTPL		
upon initial recognition	17,756	17,014
(ii) HFT		
<u>At fair value</u>		
Equity securities:		
Quoted in Malaysia	53,525	80,795
Quoted outside Malaysia	3,813	14,883
Unquoted in Malaysia	82,013	82,013
Unit and property trust funds:		
Quoted in Malaysia	1,015	1,527
Total HFT financial assets	140,366	179,218
	30.6.2021	31.12.2020
	RM'000	RM'000
(b) FVOCI		
<u>At fair value</u>		
Malaysian government papers	215,081	94,373
Debt securities:		
Unquoted in Malaysia	797,220	708,708
Unquoted outside Malaysia	24,506	40,196
Equity securities*:		
Quoted in Malaysia	3,553	-
Total FVOCI financial assets	1,040,360	843,277

* The Company has elected to recognise these equity investments at fair value through other comprehensive income as these investments are held as long term strategic investments that are not expected to be sold in the short term to medium term. Gains or losses on the derecognition of these equity investments are not transferred to profit or loss.

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 ----->		Total
	ECL	not credit	credit	ECL
30.6.2021	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	
At 1 January 2021	385	285	154	824
New financial assets originated or purchased	127	-	-	127
Financial assets that have been derecognised	(30)	-	-	(30)
Net adjustment of loss allowance	16	202	-	218
Allowance for impairment loss	113	202	-	315
Changes due to change in credit risk	(35)	35	-	-
At 30 June 2021	<u>463</u>	<u>522</u>	<u>154</u>	<u>1,139</u>
31.12.2020				
At 1 January 2020	581	70	165	816
Writeback	(40)	-	-	(40)
New financial assets originated or purchased	86	-	-	86
Financial assets that have been derecognised	(269)	(8)	(11)	(288)
Net adjustment of loss allowance	-	250	-	250
Allowance for impairment loss	(223)	242	(11)	8
Changes due to change in credit risk	27	(27)	-	-
At 31 December 2020	<u>385</u>	<u>285</u>	<u>154</u>	<u>824</u>

13. INVESTMENTS (CONTD.)

	30.6.2021	31.12.2020
	RM'000	RM'000
(c) AC		
<u>At cost</u>		
Deposits and placements with:		
Licensed financial institutions	369,011	510,929
Others	10,018	10,000
Total AC financial assets	<u>379,029</u>	<u>520,929</u>

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

Fair Value of Financial Investments

An analysis of the different fair value measurement basis used in the determination of the fair values of Investments are further disclosed in Note 34 of the unaudited interim condensed financial statements.

14. REINSURANCE ASSETS

	30.6.2021	31.12.2020
	RM'000	RM'000
Reinsurers' share of insurance contract liabilities (Note 19):		
Claims liabilities	4,652,883	3,717,694
Premium liabilities	326,505	226,315
	<u>4,979,388</u>	<u>3,944,009</u>
Allowance for impairment losses	(13,092)	(13,546)
	<u>4,966,296</u>	<u>3,930,463</u>

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

	30.6.2021	31.12.2020
	RM'000	RM'000
Lifetime ECL		
At 1 January 2021/ 1 January 2020	13,546	11,834
Net adjustment of loss allowance	(454)	1,712
At 30 June 2021/ 31 December 2020	<u>13,092</u>	<u>13,546</u>

15. INSURANCE RECEIVABLES

	30.6.2021	31.12.2020
	RM'000	RM'000
Due premiums including agents/brokers and co-insurers balances	341,169	238,317
Due from reinsurers and cedants	19,541	24,691
	<u>360,710</u>	<u>263,008</u>
Allowance for impairment losses	(1,311)	(5,285)
	<u>359,399</u>	<u>257,723</u>

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

	Not credit-impaired	Credit- impaired	Total
	RM'000	RM'000	RM'000
<u>Gross carrying amount</u>			
At 1 January 2020	302,327	22,991	325,318
(Decrease)/Increase	(75,846)	13,536	(62,310)
At 31 December 2020/ 1 January 2021	<u>226,481</u>	<u>36,527</u>	<u>263,008</u>
Increase	80,679	17,023	97,702
At 30 June 2021	<u>307,160</u>	<u>53,550</u>	<u>360,710</u>

Lifetime ECL

At 1 January 2020	236	4,482	4,718
Increase/(decrease)	1,242	(675)	567
At 31 December 2020/ 1 January 2021	<u>1,478</u>	<u>3,807</u>	<u>5,285</u>
Decrease	(1,477)	(2,497)	(3,974)
At 30 June 2021	<u>1</u>	<u>1,310</u>	<u>1,311</u>

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

16. OTHER ASSETS

	30.6.2021	31.12.2020
	RM'000	RM'000
Amount due from stockbrokers	-	2,855
Share of net assets in the Malaysian Motor Insurance Pool ("MMIP")	45,727	50,502
Sundry receivables, deposits and prepayments	2,213	2,453
Income due and accrued	13,271	11,375
Allowance for impairment losses	1	-
	<u>13,272</u>	<u>11,375</u>
Amounts due from related companies* (Note 33(b)):		
- Ultimate holding company	1,448	656
- Immediate holding company	-	621
- Other related companies	3,529	6,743
	<u>4,977</u>	<u>8,020</u>
Total Other Assets	<u>66,189</u>	<u>75,205</u>

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

	Not credit-impaired RM'000	Credit- impaired RM'000	Total RM'000
<u>Gross carrying amount</u>			
At 1 January 2020	19,006	-	19,006
Increase	5,663	-	5,663
At 31 December 2020/ 1 January 2021	<u>24,669</u>	<u>-</u>	<u>24,669</u>
Decrease	(4,271)	-	(4,271)
At 30 June 2021	<u>20,398</u>	<u>-</u>	<u>20,398</u>
<u>Lifetime ECL</u>			
At 1 January 2020/ 1 January 2021	-	-	-
Decrease	(1)	-	(1)
At 30 June 2021	<u>(1)</u>	<u>-</u>	<u>(1)</u>

16. OTHER ASSETS (CONTD.)

- * Amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable in the short-term.
- ** Movement for impairment losses for other assets is excluding MMIP, goods and service tax ("GST") recoverable and prepayments.

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.

17. CURRENT TAX ASSETS

	30.6.2021	31.12.2020
	RM'000	RM'000
Current tax assets	41,275	41,275

- (a) The current tax assets arise from the appeals made by the Company prior to its Conversion of Composite Licences to Single Licenses ("Licence Split") on 28 December 2017.

The Inland Revenue Board of Malaysia ("IRBM") had raised additional assessments to the Company for Years of Assessment ("YA") 2013 to 2015, totalling RM12,883,000, YA2015 additional assessments amounting to RM7,214,000 was raised on 26 November 2020. IRBM had raised the additional assessments in respect to the profit commission earned on reinsurance ceded for life business as incidental income of the Company under Section 60(8) of the Income Tax Act, 1967, disallowing the deduction of expenses directly attributable to rental income of its investment properties, and disallowing the deduction of an under accrual fee.

The Company has made full settlement on the additional assessments raised and submitted the notices of appeal by filing Form Q with the Special Commissioner of Income Tax ("SCIT").

The Company had decided to pursue these appeals after obtaining the relevant opinions from its legal counsel, which was premised on the fact that the bases used to raise the additional assessments are not equitable. The Court has fixed the hearing dates on 14 February and 15 February 2022.

- (b) The Company has overpayment of taxes for YA2018 and YA2019 amounted to RM28,392,000, upon the finalisation of its tax returns. IRBM has approved the overpayment for YA2018 to be offset from current year's installments effective July 2021. Application of refund and set-off for YA2019 has also been submitted, awaiting approval.

18. RESERVES

	Note	30.6.2021 RM'000	31.12.2020 RM'000
Non-distributable:			
FVOCI reserve	(i)	<u>(1,422)</u>	<u>32,413</u>
<u>Other reserves:</u>			
Revaluation reserve	(ii)	76,391	76,391
Currency translation reserve	(iii)	<u>14,395</u>	<u>13,843</u>
		<u>90,786</u>	<u>90,234</u>
<u>Retained profits:</u>			
Distributable		<u>818,948</u>	<u>808,823</u>
Total reserves		<u>908,312</u>	<u>931,470</u>

- (i) The FVOCI reserve of the Company arose from changes in the fair values of the financial assets which are measured at fair value through other comprehensive income.
- (ii) 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.
- (iii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Company.

19. INSURANCE CONTRACT LIABILITIES

	<----- 30.6.2021 ----->			<----- 31.12.2020 ----->		
	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)	5,056,001	(4,652,883)	403,118	4,121,910	(3,717,694)	404,216
Premium liabilities (ii)	560,520	(326,505)	234,015	473,818	(226,315)	247,503
	<u>5,616,521</u>	<u>(4,979,388)</u>	<u>637,133</u>	<u>4,595,728</u>	<u>(3,944,009)</u>	<u>651,719</u>

(i) Claims liabilities

	<----- 30.6.2021 ----->			<----- 31.12.2020 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2021/ 1 January 2020	4,121,910	(3,717,694)	404,216	3,077,202	(2,705,046)	372,156
Claims incurred in the current accident period/year	829,053	(711,199)	117,854	1,145,769	(878,381)	267,388
Other movements in claims incurred in prior accident years	317,116	(328,838)	(11,722)	264,031	(269,564)	(5,533)
Claims paid during the period/year	(257,835)	151,272	(106,563)	(407,680)	181,954	(225,726)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(71)	-	(71)	1,049	-	1,049
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	45,828	(46,424)	(596)	41,539	(46,657)	(5,118)
At 30 June 2021/ 31 December 2020	<u>5,056,001</u>	<u>(4,652,883)</u>	<u>403,118</u>	<u>4,121,910</u>	<u>(3,717,694)</u>	<u>404,216</u>

(ii) Premium liabilities

	<----- 30.6.2021 ----->			<----- 31.12.2020 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2021/ 1 January 2020	473,818	(226,315)	247,503	519,726	(260,015)	259,711
Premiums written in the period/year	777,766	(558,264)	219,502	1,299,092	(815,819)	483,273
Premiums earned during the period/year	(691,064)	458,074	(232,990)	(1,345,000)	849,519	(495,481)
At 30 June 2021/ 31 December 2020	<u>560,520</u>	<u>(326,505)</u>	<u>234,015</u>	<u>473,818</u>	<u>(226,315)</u>	<u>247,503</u>

20. INSURANCE PAYABLES

	30.6.2021	31.12.2020
	RM'000	RM'000
Due to agents and intermediaries	71,082	121,753
Due to reinsurers and cedants	379,496	257,512
	<u>450,578</u>	<u>379,265</u>

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

21. OTHER LIABILITIES

	30.6.2021	31.12.2020
	RM'000	RM'000
ROU lease liabilities		
- Lease liabilities	4,875	5,634
- Provision for restoration costs	1,261	1,261
Amount due to related companies* (Note 33(b)):		
- Penultimate holding company	1	-
- Immediate holding company	1,315	-
- Other related companies	219	3,100
Amount due to subsidiary* (Note 33(b)):	1,619	1,621
Amount due to stockbrokers	22,558	608
Provision for land development costs	434	711
Sundry payables and accrued liabilities	108,533	65,935
Total Other Liabilities	<u>140,815</u>	<u>78,870</u>

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

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

22. NET EARNED PREMIUMS

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
(a) Gross earned premiums		
Gross premiums	777,766	747,147
Change in premium liabilities	(86,702)	(93,535)
Gross earned premiums	<u>691,064</u>	<u>653,612</u>
(b) Earned premium ceded to reinsurers		
Gross premiums ceded to reinsurer	(558,264)	(503,851)
Change in premium liabilities	100,190	97,391
Gross earned premiums ceded to reinsurers	<u>(458,074)</u>	<u>(406,460)</u>
Net earned premium	<u>232,990</u>	<u>247,152</u>

23. FEE AND COMMISSION INCOME

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
Reinsurance commission income	<u>27,928</u>	<u>27,846</u>

24. INVESTMENT INCOME

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	<u>837</u>	<u>150</u>
(ii) HFT		
Dividend income		
- Quoted in Malaysia	871	714
- Quoted outside Malaysia	55	4
- Unquoted in Malaysia	500	-
- Unit and property trusts	7	-
	<u>1,433</u>	<u>718</u>

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24. INVESTMENT INCOME (CONTD.)

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
Financial assets at FVOCI		
Interest income	19,854	15,618
Dividend Income		
- Quoted in Malaysia	222	-
	<u>20,076</u>	<u>15,618</u>
Financial assets at AC		
Interest/profit income	<u>3,453</u>	<u>8,339</u>
Interest income from financing receivables and other loans	351	256
Rental income	6,908	6,448
Rental expense	(1,798)	(2,009)
Amortisation of premiums	(335)	(156)
Investment related expenses	(169)	(158)
	<u>4,957</u>	<u>4,381</u>
Total investment income	<u>30,756</u>	<u>29,206</u>

25. OTHER OPERATING INCOME/(EXPENSES), NET

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
Other revenues		
Gain/(losses) on foreign exchange:		
- realised	870	(959)
- unrealised	6,104	(970)
(Written off)/recovery of bad debts	(103)	3
Reversal/(impairment) losses on:		
- Receivables	3,975	(4,422)
- Reinsurance Assets	454	3,727
- Financing Receivables	(48)	(216)
- Investments	(314)	129
- Others	1	-
Reinsurance tax recovery	1,243	1,281
Sundry (expenditure)/income	(1,035)	919
Total other operating income/(expenses), net	<u>11,147</u>	<u>(508)</u>

26. MANAGEMENT EXPENSES

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
Employee benefits expense (Note 26(a))	38,209	41,012
Directors' fee and remuneration (Note 27)	534	470
Auditors' remuneration:		
- statutory audit	184	165
- regulatory related services	7	10
- other services	-	4
Amortisation of intangible assets	3,178	3,050
Bank charges	1,645	1,923
Depreciation of property, plant and equipment	1,659	1,429
Right-of-use expenses:		
- depreciation	1,090	1,153
- Interest expenses	66	95
- termination	-	(56)
Other management fees	(1,089)	2,550
Professional fees	959	(642)
Rental of offices/premises	2,089	1,935
Electronic data processing expenses	(372)	(742)
Information technology outsourcing	2,663	2,587
Postage and stamp duties	293	262
Printing and stationery	92	342
Promotional and marketing cost	5,809	10,906
Training expenses	210	223
Utilities, assessment and maintenance	969	1,139
Entertainment	45	101
Travelling expenses	60	270
Office facilities expenses	572	312
Legal fees	33	32
Other expenses	2,582	2,685
Total management expenses	61,487	71,215

26. MANAGEMENT EXPENSES (CONTD.)

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
(a) Employee benefits expense:		
Wages, salaries and bonuses	28,186	31,076
Employee Provident Fund ("EPF")	4,302	4,916
Social Security Contribution ("SOCSO")	209	216
Employee's Share Grant Plan ("ESGP")	994	679
Other benefits	4,518	4,125
	<u>38,209</u>	<u>41,012</u>
(b) The details of Chief Executive Officer's ("CEO's") remuneration during the period are as follows:		
Salaries	322	322
Bonus	200	250
EPF	84	92
ESGP	92	64
Other emoluments	28	18
	<u>726</u>	<u>746</u>

27. DIRECTORS' REMUNERATION

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Executive director:		
Fees	60	60
Other emoluments	12	6
	<u>72</u>	<u>66</u>
Non-executive directors:		
Fees	390	360
Other emoluments	72	44
	<u>462</u>	<u>404</u>
Total Directors' Fees and Remuneration	<u>534</u>	<u>470</u>

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
1.1.2021 to 30.6.2021			
Executive director			
Datuk Normala binti Abdul Manaf	60	12	72
	<u>60</u>	<u>12</u>	<u>72</u>
Non-executive directors			
Datuk Mohd Najib bin Abdullah (Chairman)	90	12	102
Mr. Frank J.G. Van Kempen	60	12	72
Mr. Koh Heng Kong	60	12	72
Ms. Serina binti Abdul Samad	60	12	72
Ms. Daniela Adaggi	60	12	72
Mr. Mohamad Shukor bin Ibrahim	60	12	72
	<u>390</u>	<u>72</u>	<u>462</u>
	<u>450</u>	<u>84</u>	<u>534</u>

27. DIRECTORS' REMUNERATION (CONTD.)

	Fees RM'000	Other emoluments RM'000	Total RM'000
1.1.2020 to 30.6.2020			
Executive director			
Datuk Normala binti Abdul Manaf	60	6	66
	<u>60</u>	<u>6</u>	<u>66</u>
Non-executive directors			
Datuk Mohd Najib bin Abdullah (Chairman)	90	8	98
Mr. Frank J.G. Van Kempen	60	6	66
Mr. Koh Heng Kong	60	8	68
Ms. Serina binti Abdul Samad	60	8	68
Ms. Daniela Adaggi	60	8	68
Mr. Mohamad Shukor bin Ibrahim (Appointed w.e.f 1 April 2020)	30	6	36
	<u>360</u>	<u>44</u>	<u>404</u>
	<u>420</u>	<u>50</u>	<u>470</u>

28. FEE AND COMMISSION EXPENSES

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Costs incurred for the acquisition of insurance contracts	<u>34,156</u>	<u>35,995</u>

29. TAXATION

Major components of income tax expense

The major components of income tax expense for the financial period ended 30 June 2021 and 30 June 2020 are as follows:

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
<u>Income Statement:</u>		
<u>Income tax:</u>		
Current financial period		
- Malaysia	27,405	17,176
<u>Deferred taxation:</u>		
Relating to origination and reversal of temporary differences	(8,161)	(1,015)
Income tax expense recognised in income statement	19,244	16,161
<u>Statement of Comprehensive Income:</u>		
Deferred income tax related to other comprehensive income:		
- Fair value changes on financial assets at FVOCI	(10,685)	687

29. TAXATION (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:

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Profit before taxation	<u>89,365</u>	<u>67,492</u>
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	21,448	16,198
Income not subject to tax	(2,537)	(463)
Expenses not deductible for tax purposes	333	426
Tax expense for the financial period	<u>19,244</u>	<u>16,161</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% (2020: 24%)

30. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") 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.

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Profit attributable to ordinary equity holders	<u>70,121</u>	<u>51,331</u>
	30.6.2021 '000	30.6.2020 '000
Weighted average number of ordinary shares in issue	<u>212,151</u>	<u>212,151</u>
	1.1.2021 to 30.6.2021 sen	1.1.2020 to 30.6.2020 sen
Basic and diluted earnings per share	<u>33.05</u>	<u>24.20</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.

31. OPERATING LEASE COMMITMENTS

The 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 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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:

	30.6.2021	31.12.2020
	RM'000	RM'000
Not later than one year	11,767	11,284
Between one and five years	44,715	42,674
	<u>56,482</u>	<u>53,958</u>

Rental income on investment properties recognised in the income statement during the financial period is disclosed in Note 24.

32. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2021	31.12.2020
	RM'000	RM'000
Approved and contracted for:		
Property, plant and equipment	66	438
Intangible assets	1,893	1,121
	<u>1,959</u>	<u>1,559</u>
Approved and not contracted for:		
Property, plant and equipment	6,879	14,748
Intangible assets	28	405
	<u>6,907</u>	<u>15,153</u>

33. 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 and their related companies, subsidiaries, associates, 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:

	1.1.2021	1.1.2020
	to	to
	30.6.2021	30.6.2020
	RM'000	RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	4,522	5,442
Commissions and fees expenses	(11,501)	(11,765)
Claims paid	(215)	(69)
Interest income	112	736
Rental income	248	250
Other expenses	(857)	(216)
ESGP	(70)	(741)

33. 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.):

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Income/(expenses) (contd.):		
Immediate holding company:		
Gross premium income	4	4
Rental income	73	64
Dividend paid/payable	(59,996)	(29,998)
Claims paid	-	(56)
Shared service cost	(17,377)	(4,590)
Remuneration of seconded employee	(99)	(48)
	<u>(99)</u>	<u>(48)</u>
Penultimate holding company:		
Other expenses	(35)	-
	<u>(35)</u>	<u>-</u>
Fellow subsidiaries within the MAHB Group:		
Gross premium income	1,803	444
Premium ceded to reinsurers	(22)	(1,391)
Commissions and fee expenses	(431)	(20)
Reinsurance commission income	11	648
Rental income	5,074	4,620
Rental expenses	(987)	(835)
Shared service cost income/(cost)	16,893	6,342
Claims paid	(3,687)	(1,493)
Claims recovery from reinsurers	1,536	1,062
Other income	2	371
Other expenses	(35)	(32)
	<u>(35)</u>	<u>(32)</u>
Fellow subsidiaries within the EIHSB Group:		
Consultation fees	(832)	-
	<u>(832)</u>	<u>-</u>
Other related companies within the Maybank Group:		
Gross premium income	1,759	1,173
Profit income	2,028	2,013
Insurance expenses	(136)	-
Information technology outsourcing	(2,663)	(2,587)
	<u>(2,663)</u>	<u>(2,587)</u>
Companies with significant influence over the Maybank Group:		
Gross insurance premium income	3,183	574
Claims paid	(127)	(482)
	<u>(127)</u>	<u>(482)</u>

33. 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:

	Note	30.6.2021 RM'000	31.12.2020 RM'000
Ultimate holding company:			
Fixed and call deposits		35,307	82,021
Derivatives (liabilities)/assets		(456)	2,695
Bank balances		72,718	22,295
Income and profits due and accrued		96	48
Outstanding premiums		7,680	7,521
Claim liabilities		(45,395)	(58,861)
Provision for custodian fee		-	(35)
Other receivables		27	-
Amount due from ultimate holding company	16	<u>1,448</u>	<u>656</u>
Immediate holding company:			
Outstanding premiums		4	7
Amount due from holding company	16	-	621
Amount due to holding company	21	<u>(1,315)</u>	<u>-</u>
Penultimate holding company:			
Amount due to penultimate holding company	21	<u>(1)</u>	<u>-</u>
Fellow subsidiaries within the MAHB Group:			
Amount due to reinsurers and cedants		(15,697)	(9,264)
Claims liabilities		(2,999)	(6,007)
Reinsurance assets		10	17,051
Amount due from other related companies	16	3,528	6,742
Amount due to other related companies	21	<u>(6)</u>	<u>(3,019)</u>
Fellow subsidiaries within the EIHSB Group:			
Amount due to other related companies	21	<u>(213)</u>	<u>-</u>

33. 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.) :

	Note	30.6.2021 RM'000	31.12.2020 RM'000
Other related companies within the Maybank Group:			
Fixed and call deposits		223,439	222,306
Income due and accrued		448	462
Claims liabilities		(50)	(50)
Amount due from other related companies	16	1	1
Amount due to other related companies	21	-	(81)
Companies with significant influence over the Maybank Group:			
Claims liabilities		(3,298)	(6,711)
Subsidiary:			
Amount due to subsidiary	21	(1,619)	(1,621)

(c) Key management personnel compensation

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

	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Short-term employee benefits		
- Fees	450	420
- Salaries, allowances and bonuses	606	622
- EPF	84	92
- ESGP	92	64
- Other emoluments and benefits-in-kind	28	18
	<u>1,260</u>	<u>1,216</u>

(ii) The number of shares awarded for ESGP to key management personnel were as follows:

	30.6.2021 '000	31.12.2020 '000
At 1 January 2021/ 1 January 2020	396	264
Awarded	92	132
At 30 June 2021/ 31 December 2020	<u>488</u>	<u>396</u>

34. FAIR VALUE MEASUREMENTS

(a) Valuation principle

The Company continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

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

- **Level 1 : Active Market – Quoted price**
Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

- **Level 2 : No Active Market – Valuation techniques using observable 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, structured products, NCDs/NICDs, 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 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

34. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Fair value measurements and classification within the fair value hierarchy

	Valuation technique using:			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	
30.6.2021				
<u>Assets</u>				
Investment Properties	-	-	287,860	287,860
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	17,756	-	17,756
(ii) HFT				
Equity securities	57,338	-	82,013	139,351
Unit and property trust funds	1,015	-	-	1,015
Financial assets at FVOCI				
Equity securities	3,553	-	-	3,553
Malaysian government papers	-	215,081	-	215,081
Debt securities	-	821,726	-	821,726
Derivative assets	-	-	-	-
Total Assets	61,906	1,054,563	369,873	1,486,342
<u>Liabilities</u>				
Derivative liabilities	-	728	-	728
Total liabilities	-	728	-	728

34. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Fair value measurements and classification within the fair value hierarchy
 (contd.)

	Valuation technique using:			Total RM'000
	Level 1	Level 2	Level 3	
	Quoted market prices RM'000	Using Observable inputs RM'000	Using Significant unobservable inputs RM'000	
31.12.2020				
<u>Assets</u>				
Investment Properties	-	-	287,860	287,860
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	17,014	-	17,014
(ii) HFT				
Equity securities	95,678	-	82,013	177,691
Unit and property trust funds	1,527	-	-	1,527
Financial assets at FVOCI				
Malaysian government papers	-	94,373	-	94,373
Debt securities	-	748,904	-	748,904
Derivative assets	-	6,099	-	6,099
Total Assets	97,205	866,390	369,873	1,333,468

(c) 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 2021.

34. FAIR VALUE MEASUREMENTS (CONTD.)

(d) Movements of Level 3 financial instruments and non-financial assets

	Assets and financial investments measured at fair value		
	Investment properties RM'000	Designated at FVTPL RM'000	Total RM'000
30.6.2021			
At 1 January 2021/ 30 June 2021	287,860	82,013	369,873
31.12.2020			
At 1 January 2020	283,920	83,515	367,435
Recognised in the income statement:			
Realised gain	-	1,450	1,450
Fair value gain/(loss)	3,940	(1,212)	2,728
Disposal	-	(1,740)	(1,740)
At 31 December 2020	287,860	82,013	369,873
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting year	3,940	238	4,178

(e) 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.

34. FAIR VALUE MEASUREMENTS (CONTD.)

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

(i) Investment properties

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

All investment properties of the Company carried at fair values were classified under Level 3. 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.

	Valuation method	Significant unobservable inputs	Range
30.6.2021			
Building	Income capitalisation	Rental per square foot	RM1.98 to RM7.50
Land	Comparison	Sales price per square foot for similar properties	RM3,292.49
Shop lots	Comparison	Sales price per square foot for similar properties	RM50.00 to RM1,104.61
31.12.2020			
Building	Income capitalisation	Rental per square foot	RM1.98 to RM7.50
Land	Comparison	Sales price per square foot for similar properties	RM3,292.49
Shop lots	Comparison	Sales price per square foot for similar properties	RM50.00 to RM1,104.61

34. FAIR VALUE MEASUREMENTS (CONTD.)

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

(i) Investment properties (contd.)

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.

A significant increase or decrease in the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the investment properties.

(ii) Unquoted equity instruments

All unquoted equity instruments of the Company at fair values were classified under Level 3. The fair value of investments in unquoted equity instruments that do not have quoted market prices in an active market, are measured based on the adjusted net asset method by referencing to the annual financial statements of the entities that the Company invested in.

Net asset value	Changes in variables	Impact on profit before tax RM'000 Increase/ (decrease)	Impact on equity* RM'000 Increase/ (decrease)
30.6.2021	+5%	4,108	3,122
	-5%	(4,108)	(3,122)
31.12.2020	+5%	4,108	3,122
	-5%	(4,108)	(3,122)

* Impact on equity is computed after tax at the statutory tax rate.

35. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2021 and 31 December 2020, as prescribed under the RBC Framework is provided below:

	30.6.2021	31.12.2020
	RM'000	RM'000
Eligible Tier 1 Capital		
Paid up share capital	229,879	229,879
Reserves, including retained earnings	818,948	808,823
	<u>1,048,827</u>	<u>1,038,702</u>
Tier 2 Capital		
Revaluation reserve	76,391	76,391
FVOCI reserve	(1,422)	32,413
Currency translation reserve	14,395	13,843
	<u>89,364</u>	<u>122,647</u>
Amount deducted from Capital	<u>(30,385)</u>	<u>(32,702)</u>
Total Capital Available	<u>1,107,806</u>	<u>1,128,647</u>

36. UPDATE ON THE MALAYSIA COMPETITION COMMISSION (“MYCC”) AGAINST THE GENERAL INSURANCE ASSOCIATION OF MALAYSIA (“PIAM”) AND ITS 22 GENERAL INSURERS

On 22 February 2017, the Malaysia Competition Commission (“MyCC”) has issued a Proposed Decision against the General Insurance Association of Malaysia (“PIAM”) and its 22 general insurers, including the Company for an alleged infringement of the Competition Act 2010 (“CA 2010”). The MyCC alleged that PIAM and all 22 general insurers were parties to an anti-competitive agreement to fix the parts trade discount for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops.

PIAM and all the 22 general insurers have filed their respective written representations with the MyCC. The Company, represented by its legal counsel, Messrs Raja Darryl & Loh (“RDL”) has filed its written representations with the MyCC on 25 April 2017 and has further made oral representations on 14 December 2017 and 17 June 2019 to defend its position, in line with PIAM and other general insurers.

The MyCC has on 25 September 2020 issued their final decision (which is dated 14 September 2020) under Section 40 of the CA 2010 (“Final Decision”) and the financial penalty for the Company has been determined. The Company has since filed an appeal against the Final Decision with the Competition Appeal Tribunal (“CAT”) on 14 October 2020 and a stay of the financial penalty imposed pending the decision of the CAT on 27 October 2020. The stay application is now fixed for hearing on 25 February 2021 before the CAT, following which, there is also a case management session scheduled for 26 February 2021 in respect of the appeal proper.

36. UPDATE ON THE MALAYSIA COMPETITION COMMISSION (“MYCC”) AGAINST THE GENERAL INSURANCE ASSOCIATION OF MALAYSIA (“PIAM”) AND ITS 22 GENERAL INSURERS (CONTD.)

The parties have completed their oral submissions in respect of the stay applications on 12 March 2021. The CAT unanimously allowed the stay applications on 23 March 2021 that the cease and desist order as well as the financial penalty imposed be stayed pending the disposal of the appeal.

The CAT has now fixed various dates for the hearing of the appeals beginning November 2021. The CAT has requested for some additional hearing dates to be fixed in January 2022 and parties are in the midst of working out some additional common free dates (in January 2022) for the hearing of said appeals.

On 29 July 2021, the CAT directed the parties as follows:-

- (i) To file a set of common and separate issues by 12 August 2021; and
- (ii) To identify in writing the individuals each insurer intends to call as a witness.

The CAT then fixed 30 August 2021 as the next case management date.

37. INSURANCE FUNDS

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS

	Total		Shareholder's Fund		General Fund	
	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000
Assets:						
Property, plant and equipment	13,832	13,576	422	426	13,410	13,150
Investment properties	287,860	287,860	151,530	151,530	136,330	136,330
Right-of-use assets	5,137	6,036	-	-	5,137	6,036
Intangible assets	30,385	32,702	-	-	30,385	32,702
Investment in subsidiary	* -	* -	* -	* -	-	-
Investment in associate	152	152	152	152	-	-
Investments	1,577,511	1,560,438	809,429	805,460	768,082	754,978
Financing receivables	26,833	27,830	26,147	27,015	686	815
Reinsurance assets	4,966,296	3,930,463	-	-	4,966,296	3,930,463
Insurance receivables	359,399	257,723	-	-	359,399	257,723
Other assets	66,189	75,205	8,068	8,815	58,121	66,390
Derivative assets	-	6,099	-	2,675	-	3,424
Current tax assets	41,275	41,275	27,601	27,601	13,674	13,674
Cash and bank balances	82,379	31,962	26,316	3,566	56,063	28,396
Total Assets	7,457,248	6,271,321	1,049,665	1,027,240	6,407,583	5,244,081

* Representing RM 1

37. INSURANCE FUNDS (CONTD.)

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

	Total		Shareholder's Fund		General Fund	
	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000
<u>Equity and liabilities:</u>						
Share capital	229,879	229,879	229,879	229,879	-	-
Reserves	908,312	931,470	908,312	931,470	-	-
	<u>1,138,191</u>	<u>1,161,349</u>	<u>1,138,191</u>	<u>1,161,349</u>	<u>-</u>	<u>-</u>
Insurance contract liabilities	5,616,521	4,595,728	-	-	5,616,521	4,595,728
Derivative liabilities	728	-	234	-	494	-
Deferred tax liabilities, net	27,671	46,516	15,502	24,026	12,169	22,490
Insurance payables	450,578	379,265	-	-	450,578	379,265
Other liabilities ¹	140,815	78,870	(169,704)	(161,369)	310,519	240,239
Dividend payable	59,996	-	59,996	-	-	-
Current tax liabilities	22,748	9,593	5,446	3,234	17,302	6,359
Total Liabilities	<u>6,319,057</u>	<u>5,109,972</u>	<u>(88,526)</u>	<u>(134,109)</u>	<u>6,407,583</u>	<u>5,244,081</u>
Total equity and liabilities	<u>7,457,248</u>	<u>6,271,321</u>	<u>1,049,665</u>	<u>1,027,240</u>	<u>6,407,583</u>	<u>5,244,081</u>
Inter fund balances	-	-	(142,497)	(166,383)	142,497	166,383

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.

37. INSURANCE FUNDS (CONTD.)

UNAUDITED INTERIM CONDENSED INCOME STATEMENT/ REVENUE ACCOUNTS BY FUNDS

	Total		Shareholder's Fund		General Fund	
	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Operating revenue	808,522	776,353	14,076	13,602	794,446	762,751
Gross earned premiums	691,064	653,612	-	-	691,064	653,612
Earned premiums ceded to reinsurers	(458,074)	(406,460)	-	-	(458,074)	(406,460)
Net earned premiums	232,990	247,152	-	-	232,990	247,152
Fee and commission income	27,928	27,846	-	-	27,928	27,846
Investment income	30,756	29,206	14,076	13,602	16,680	15,604
Realised gains/(losses)	13,481	(2,102)	6,088	2,529	7,393	(4,631)
Fair value (losses)/gains	(25,829)	2,429	(11,884)	761	(13,945)	1,668
Other operating income/(expenses), net	11,147	(508)	2,192	(990)	8,955	482
Other revenue	57,483	56,871	10,472	15,902	47,011	40,969
Gross benefits and claims paid	(257,835)	(86,694)	-	-	(257,835)	(86,694)
Claims ceded to reinsurers	151,272	(8,115)	-	-	151,272	(8,115)
Gross change to contract liabilities	(934,092)	(120,364)	-	-	(934,092)	(120,364)
Change in contract liabilities ceded to reinsurers	935,190	85,852	-	-	935,190	85,852
Net benefits and claims	(105,465)	(129,321)	-	-	(105,465)	(129,321)
Management expenses	(61,487)	(71,215)	(1,312)	(1,422)	(60,175)	(69,793)
Fee and commission expenses	(34,156)	(35,995)	-	-	(34,156)	(35,995)
Other expenses	(95,643)	(107,210)	(1,312)	(1,422)	(94,331)	(105,788)
Surplus for the period	89,365	67,492	9,160	14,480	80,205	53,012
Taxation	(19,244)	(16,161)	(2,299)	(3,758)	(16,945)	(12,403)
Net profit for the financial period	70,121	51,331	6,861	10,722	63,260	40,609
Surplus transfer (net of tax) from:						
- General Fund	-	-	63,260	40,609	(63,260)	(40,609)
Net profit for the financial period	70,121	51,331	70,121	51,331	-	-

37. INSURANCE FUNDS (CONTD.)

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS BY FUNDS

	Total		Shareholder's Fund		General Fund	
	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000	1.1.2021 to 30.6.2021 RM'000	1.1.2020 to 30.6.2020 RM'000
Cash flows from:						
Operating activities	261,357	(56,258)	150,501	(38,816)	110,856	(17,442)
Investing activities	(210,191)	106,191	(127,750)	69,501	(82,441)	36,690
Financing activities	(749)	(31,994)	-	(29,998)	(749)	(1,996)
Net increase in cash and cash equivalents	50,417	17,939	22,751	687	27,666	17,252
Cash and cash equivalents:						
Cash and cash equivalents at beginning of financial period	31,962	9,443	3,566	47	28,396	9,396
Cash and cash equivalents at end of financial period	82,379	27,382	26,317	734	56,062	26,648