



ETIQA INSURANCE BERHAD

(9557 T)

(Incorporated in Malaysia)

**Unaudited Interim Condensed Financial Statements
for the six months period ended 30 June 2013**

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	30.6.2013 RM'000	31.12.2012 RM'000
Assets:			
Property, plant and equipment		111,923	111,087
Investment properties		572,443	569,704
Prepaid land lease payments		20,026	20,341
Intangible assets		22,361	25,827
Investment in associate		152	152
Investments	10	13,494,616	13,265,325
Financing receivables		266,557	266,379
Reinsurance assets	11	1,906,321	1,691,599
Insurance receivables		609,467	386,074
Other receivables		231,314	248,297
Derivative assets		10,569	688
Current tax assets		19,330	6,602
Cash and bank balances		119,405	142,452
Total Assets		<u>17,384,484</u>	<u>16,734,527</u>
Equity and liabilities:			
Share capital		152,151	152,151
Reserves		2,604,146	2,422,190
Total Equity		<u>2,756,297</u>	<u>2,574,341</u>
Insurance contract liabilities	11	12,974,950	12,665,407
Deferred tax liabilities		460,974	429,499
Insurance payables		586,887	405,177
Other payables		244,025	292,355
Dividend payables		350,329	350,329
Current tax liabilities		11,022	17,419
Total Liabilities		<u>14,628,187</u>	<u>14,160,186</u>
Total Equity and Liabilities		<u>17,384,484</u>	<u>16,734,527</u>

These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements

ETIQA INSURANCE BERHAD
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UNAUDITED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	30.6.2013	30.6.2012
	RM'000	RM'000
Gross premiums	1,447,407	1,573,847
Investment income	291,168	286,003
Operating revenue	<u>1,738,575</u>	<u>1,859,850</u>
Gross earned premiums	1,316,523	1,571,485
Premiums ceded to reinsurers	(422,390)	(513,149)
Net earned premiums	<u>894,133</u>	<u>1,058,336</u>
Fee and commission income	35,476	33,984
Investment income	291,168	286,003
Realised gains	262,057	207,306
Fair value losses	(28,949)	(65,020)
Other operating (expenses)/income	(558)	55,317
Other revenue	<u>559,194</u>	<u>517,590</u>
Gross benefits and claims paid	(870,404)	(1,134,478)
Claims ceded to reinsurers	58,628	83,801
Gross change to contract liabilities	(181,869)	(163,744)
Change in contract liabilities ceded to reinsurers	82,981	128,947
Net benefits and claims	<u>(910,664)</u>	<u>(1,085,474)</u>
Management expenses	(136,912)	(137,300)
Fee and commission expenses	(93,762)	(105,897)
Other expenses	<u>(230,674)</u>	<u>(243,197)</u>
Profit before taxation	311,989	247,255
Taxation	(101,229)	(83,154)
Net profit for the period	<u>210,760</u>	<u>164,101</u>
Earnings per share (sen)		
Basic	<u>138.52</u>	<u>107.85</u>

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ETIQA INSURANCE BERHAD
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UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	30.6.2013	30.6.2012
	RM'000	RM'000
Net profit for the period	<u>210,760</u>	<u>164,101</u>
Other comprehensive income:		
Net (loss)/gain on AFS financial assets		
- Gain on fair value changes	64,279	82,882
- Transfer to profit or loss upon disposal	(101,008)	(93,052)
Tax effect relating to AFS financial assets	7,506	3,098
	(29,223)	(7,072)
Gain on foreign currency translation	419	6,611
Other comprehensive loss for the period, net of tax	<u>(28,804)</u>	<u>(461)</u>
Total comprehensive income for the period	<u>181,956</u>	<u>163,640</u>

These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013

	Non-distributable					Retained Earnings			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Available- for-Sale Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non- distributable Non- Participating Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	
At 1 January 2013	152,151	17,728	122,486	11,647	12,561	1,010,380	1,247,388	2,257,768	2,574,341
Total Comprehensive Income	-	-	(29,223)	-	419	105,385	105,375	210,760	181,956
At 30 June 2013	<u>152,151</u>	<u>17,728</u>	<u>93,263</u>	<u>11,647</u>	<u>12,980</u>	<u>1,115,765</u>	<u>1,352,763</u>	<u>2,468,528</u>	<u>2,756,297</u>
At 1 January 2012	152,151	17,728	100,150	11,647	937	985,439	1,275,555	2,260,994	2,543,607
Total Comprehensive Income	-	-	(7,072)	-	6,611	93,607	70,494	164,101	163,640
At 30 June 2012	<u>152,151</u>	<u>17,728</u>	<u>93,078</u>	<u>11,647</u>	<u>7,548</u>	<u>1,079,046</u>	<u>1,346,049</u>	<u>2,425,095</u>	<u>2,707,247</u>

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ETIQA INSURANCE BERHAD
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UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	30.6.2013 RM'000	30.6.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	311,989	247,255
Adjustments for:		
Depreciation of property, plant and equipment	6,047	3,920
Amortisation of intangible assets	4,701	3,773
Fair value loss on investment	29,002	58,232
Fair value gain on investment property	(2,739)	-
Amortisation of prepaid land lease payments	152	151
Accretion of discounts	(545)	(4,454)
Gain on disposal of investment properties	-	(140)
Gain on foreign exchange	(3,173)	(44,303)
Write back of impairment of insurance receivables	(3,853)	(6,208)
Bad debt written off	3,846	-
Write back of impairment of other receivables	(92)	(1,945)
Write back of impairment of financing receivables	(55)	-
Net gain on disposal of investments	(262,056)	(207,166)
Interest income	(251,001)	(247,154)
Impairment on investments	1,951	6,788
Impairment of property, plant and equipment	58	-
Impairment of prepaid land lease payments	164	-
Gross dividend income	(30,928)	(22,710)
Rental income	(10,727)	(14,209)
Loss from operations before changes in operating assets and liabilities	(207,259)	(228,170)
Changes in working capital:		
Increase in reinsurance assets	(214,759)	(221,470)
(Increase)/decrease in insurance receivables	(223,386)	94,000
Decrease/(Increase) in other receivables	14,024	(33,408)
Decrease in loans	(123)	(593)
Increase/(decrease) in amounts due to related parties	3,460	(9,013)
(Decrease)/increase in other payables	(45,852)	34,112
Increase in insurance contract liabilities	312,788	258,631
Increase/(decrease) in insurance payables	181,710	(137,056)
Decrease in LAR	56,611	414,616
Interest income received	253,363	233,230
Dividend income received	29,121	24,480
Rental income received	10,450	19,789
Foreign exchange fluctuation	419	6,611
Cash generated from operations	170,567	455,759
Tax paid	(81,193)	(67,983)
Net cash generated from operating activities	89,374	387,776

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UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013 (CONT'D)

	30.6.2013	30.6.2012
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	4,311,940	2,392,115
Purchase of investments	(4,416,185)	(2,638,400)
Proceeds from sale of property, plant and equipment	975	-
Proceeds from sale of investment property	-	420
Proceeds from sale of prepaid land lease payments	-	-
Purchase of property, plant and equipment	(5,166)	(5,516)
Purchase of intangible assets	(3,985)	(4,470)
Net cash used in investing activities	<u>(112,421)</u>	<u>(255,851)</u>
Net increase in cash and cash equivalents	(23,047)	131,925
Cash and cash equivalents at beginning of period	<u>142,452</u>	<u>129,372</u>
Cash and cash equivalents at end of period	<u><u>119,405</u></u>	<u><u>261,297</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	68,685	220,603
Life insurance fund	50,720	40,694
	<u>119,405</u>	<u>261,297</u>

These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013

1. CORPORATE INFORMATION

The Company is principally engaged in the underwriting of general and life insurance businesses. There have been no significant changes in the nature of the principal activities of the Company during the six months period from 1 January 2013 to 30 June 2013.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The unaudited interim financial statements for the period ended 30 June 2013 are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - *Interim Financial Reporting*, International Financial Reporting Standards ("IFRS") and the requirements of Companies Act, 1965 in Malaysia.

The unaudited interim financial statements of the Company have been prepared under the historical cost basis, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency, and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2012.

The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2012.

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

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3. STATUS OF AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2012 does not contain any qualification.

4. SEASONALITY OF OPERATIONS

The business of the Company was not materially affected by any seasonal or cyclical fluctuations during the six months period ended 30 June 2013. However, as is common for insurers licensed under Insurance Act, 1996, surplus will only be transferred at the financial year end upon approval by the Appointed Actuary.

5. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the six months period ended 30 June 2013.

6. CHANGES IN ESTIMATES

There were no changes in estimates in respect of amounts reported in prior financial periods that would have a material effect on the unaudited interim financial statements.

7. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance or repayment of debt and equity securities for the six months period ended 30 June 2013.

8. DIVIDENDS PAID

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

9. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company from the previous audited financial statements.

ETIQA INSURANCE BERHAD
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10. INVESTMENTS

	30.6.2013	31.12.2012
	RM'000	RM'000
Malaysian government papers	538,351	574,351
Singapore government securities	29,521	31,779
Debt securities	8,468,702	8,455,647
Equity securities	2,033,204	2,028,617
Irredeemable loan stock	16,024	22,574
Unit and property trust funds	169,111	174,348
Structured products	636,886	523,025
Negotiable certificate of deposits	732,993	528,549
Deposits with financial institutions	869,824	926,435
	<u>13,494,616</u>	<u>13,265,325</u>

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

Available-for-sale ("AFS")	3,434,277	3,262,927
Fair value through profit and loss ("FVTPL")		
-designated upon initial recognition	7,737,463	7,974,527
-held for trading ("HFT")	1,453,052	1,101,436
Loan and receivables ("LAR")	869,824	926,435
	<u>13,494,616</u>	<u>13,265,325</u>

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

	30.6.2013	31.12.2012
	RM'000	RM'000
AFS	1,596,610	1,417,929
FVTPL		
-designated upon initial recognition	7,128,202	7,405,146
-HFT	532,947	668,695
	<u>9,257,759</u>	<u>9,491,770</u>

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10. INVESTMENTS (CONT'D)

	30.6.2013	31.12.2012
	RM'000	RM'000
(a) Available-for-Sale ("AFS")		
Malaysian government papers	96,147	28,391
Singapore government securities	29,521	31,779
Debt securities:		
Quoted outside Malaysia	61,608	58,000
Unquoted in Malaysia	1,323,754	1,247,987
Unquoted outside Malaysia	32,580	27,913
Equity securities:		
Quoted in Malaysia	1,485,461	1,504,633
Quoted outside Malaysia	11,282	9,390
Unquoted in Malaysia	102,252	102,252
Unit and property trust funds:		
Quoted in Malaysia	29,703	28,969
Quoted outside Malaysia	71,755	72,685
Unquoted in Malaysia	49,979	54,302
Irredeemable loan stock	16,024	22,574
Structured products	39,019	38,395
Negotiable certificate of deposits	85,192	35,657
Total AFS financial assets	<u>3,434,277</u>	<u>3,262,927</u>
(b) Fair Value Through Profit and Loss		
(i) Designated upon initial recognition		
Malaysian government papers	402,237	470,719
Debt securities:		
Unquoted in Malaysia	6,698,389	6,808,071
Structured products	194,415	218,124
Negotiable certificate of deposits	442,422	477,613
	<u>7,737,463</u>	<u>7,974,527</u>

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10. INVESTMENT (CONT'D)

	30.6.2013	31.12.2012
	RM'000	RM'000
(ii) HFT		
Malaysian government papers	39,967	75,240
Debt securities:		
Unquoted in Malaysia	352,371	313,677
Equity securities		
Quoted in Malaysia	434,209	412,342
Unit and property trust funds		
Quoted in Malaysia	1,518	278
Quoted outside Malaysia	16,156	18,114
Negotiable certificate of deposits	205,379	15,280
Structured products	403,452	266,505
	<u>1,453,052</u>	<u>1,101,436</u>
 Total FVTPL financial assets	 <u>9,190,515</u>	 <u>9,075,963</u>
 (c) Loans and receivables ("LAR")		
Fixed and call deposits with:		
Licensed banks	864,697	911,288
Other financial institutions	5,127	15,147
Total LAR financial assets	<u>869,824</u>	<u>926,435</u>
	 <u>13,494,616</u>	 <u>13,265,325</u>

The carrying amount disclosed for LAR above approximates fair value as at reporting date due to the short term maturity of the financial assets.

(d) Fair Value of Financial Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 14(a) of the interim financial statements.

Included in the AFS financial assets are assets pledged to obtain a banking facility from Malayan Banking Berhad ("MBB") which amounted to RM45,760,000 (31.12.2012: RM45,760,000).

Investments in MBB amounted to RM729,080,159 (31.12.2012: RM1,169,868,590).

11. INSURANCE CONTRACT LIABILITIES

	30.6.2013		31.12.2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Reinsurance RM'000	Net RM'000
Life insurance (Note A)	10,220,006	(31,136)	10,188,870	10,133,272	10,099,459
General insurance (Note B)	2,754,944	(1,875,185)	879,759	2,532,135	874,349
	12,974,950	(1,906,321)	11,068,629	12,665,407	10,973,808

(A) Life Insurance

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

(i) Life insurance contract liabilities

	30.6.2013		31.12.2012		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities	57,297	(2,184)	55,113	58,957	56,269
Actuarial liabilities	7,918,603	(28,952)	7,889,651	8,147,978	8,116,853
DPF unallocated surplus	530,236	-	530,236	441,204	441,204
Available-for-sale fair value reserves	127,157	-	127,157	130,367	130,367
Net asset value attributable to unitholders (Note 18)	1,586,713	-	1,586,713	1,354,766	1,354,766
	10,220,006	(31,136)	10,188,870	10,133,272	10,099,459

11. INSURANCE CONTRACT LIABILITIES (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Movements of life insurance contract liabilities

	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	NAV attributable to unitholders RM'000	Participating fund AFS reserve RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
30.6.2013									
As at 1 January 2013	58,957	1,354,766	130,367		8,147,978	441,204	10,133,272	(33,813)	10,099,459
Net earned premiums	-	247,335	-	-	-	160,307	407,642	-	407,642
Other revenue	-	58,748	-	-	-	205,266	264,014	-	264,014
Net benefits and claims	(1,660)	(69,005)	-	-	-	(207,051)	(277,716)	516	(277,200)
Other expenses	-	(18)	-	-	-	(38,503)	(38,521)	-	(38,521)
Change in Reserve :									
- Discounting	-	-	-	-	5,108	(17,458)	(12,350)	154	(12,196)
- Change in valuation basis	-	-	-	-	(234,483)	(4,259)	(238,742)	2,007	(236,735)
Changes in AFS	-	-	-	(5,043)	-	-	(5,043)	-	(5,043)
Taxation	-	(5,113)	-	1,833	-	(10,564)	(13,844)	-	(13,844)
Participating fund surplus transferred from shareholder	-	-	-	-	-	1,294	1,294	-	1,294
As at 30 June 2013	57,297	1,586,713	127,157		7,918,603	530,236	10,220,006	(31,136)	10,188,870

	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	NAV attributable to unitholders RM'000	Participating fund AFS reserve RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
31.12.2012									
As at 1 January 2012	56,841	1,322,098	105,650		7,897,487	419,543	9,801,619	(38,958)	9,764,661
Net earned premiums	-	599,884	-	-	-	321,976	921,860	-	921,860
Other revenue	-	74,384	-	-	-	342,389	416,773	-	416,773
Net benefits and claims	2,116	(635,603)	-	-	-	(381,058)	(1,014,545)	(10)	(1,014,555)
Other expenses	-	(49)	-	-	-	(79,323)	(79,372)	-	(79,372)
Change in Reserve :									
- Discounting	-	-	-	-	139,136	(107,152)	31,984	(250)	31,734
- Assumptions	-	-	-	-	24,486	(7,270)	17,216	(518)	16,698
- Policy Movements	-	-	-	-	86,869	(44,215)	42,654	3,923	46,577
Changes in AFS reserve	-	-	-	25,170	-	-	25,170	-	25,170
Taxation	-	(5,948)	-	(453)	-	(15,086)	(21,487)	-	(21,487)
Participating fund surplus transferred to shareholder	-	-	-	-	-	(8,600)	(8,600)	-	(8,600)
As at 31 December 2012	58,957	1,354,766	130,367		8,147,978	441,204	10,133,272	(33,813)	10,099,459

11. INSURANCE CONTRACT LIABILITIES (CONT'D)

(B) General insurance

	30.6.2013		31.12.2012	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Net RM'000
Claims liabilities (i)	2,031,961	(1,474,620)	557,341	(1,388,963)
Premium liabilities (ii)	722,983	(400,565)	322,418	(268,823)
	2,754,944	(1,875,185)	879,759	(1,657,786)
			2,532,135	874,349

(i) Claims liabilities

	30.6.2013		31.12.2012	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Net RM'000
As at 1 January	1,940,036	(1,388,963)	551,073	489,698
Claims incurred in the current accident period/year	385,408	(213,718)	171,690	346,229
Other movements in claims incurred in prior accident years	(108,028)	98,143	(9,885)	(2,910)
Claims paid during the period/year	(211,352)	51,865	(159,487)	(297,751)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	12	66	78	(131)
Movements in PRAD	25,885	(22,013)	3,872	15,938
As at 30 June 2013/31 Dec 2012	2,031,961	(1,474,620)	557,341	551,073
			1,940,036	(1,388,963)

(ii) Premium liabilities

	30.6.2013		31.12.2012	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Net RM'000
As at 1 January	592,099	(268,823)	323,276	319,476
Premiums written in the period/year	842,485	(547,663)	294,822	627,378
Premiums earned during the period/year	(711,601)	415,921	(295,680)	(623,578)
As at 30 June 2013/31 Dec 2012	722,983	(400,565)	322,418	323,276
			592,099	(268,823)

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(Incorporated in Malaysia)

12. OPERATING LEASE COMMITMENTS

(a) **Company as lessee**

As at the date of statement of financial position, the Company leases its office premises and equipment 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:

	30.6.2013 RM'000	31.12.2012 RM'000
Within 1 year	2,724	3,390
After 1 year but not more than 5 years	9,397	10,986
	<u>12,120</u>	<u>14,376</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:

	30.6.2013 RM'000	31.12.2012 RM'000
Not later than 1 year	32,810	29,983
Later than 1 year but not later than 5 years	78,201	57,639
	<u>111,011</u>	<u>87,622</u>

13. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2013 RM'000	31.12.2012 RM'000
Approved and contracted for:		
Property, plant and equipment	3,593	4,175
IT system	2,755	9,359
	<u>6,348</u>	<u>13,534</u>
Approved and not contracted for:		
IT system	<u>1,282</u>	<u>1,350</u>

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14. FAIR VALUES HIERARCHY

The Company uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 : Active Market – quoted price

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

- 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.

Examples of level 3 instruments include corporate bonds in illiquid markets and structured and embedded derivatives.

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14. FAIR VALUES HIERARCHY (CONT'D)

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

30.6.2013

	Valuation technique using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
<u>Assets</u>				
AFS financial investments				
Equity securities	1,496,743	-	-	1,496,743
MGS/GII/MGGB [^]	-	311,921	-	311,921
Other debt securities structured products and NCDs	-	1,316,881	39,019	1,355,900
Irredeemable loan stock	16,024	-	-	16,024
Unit and property trust funds	-	-	-	-
	101,458	-	-	101,458
Financial investments at FVTPL				
(i) Designated upon initial recognition				
MGS/GII/MGGB [^]	-	1,461,927	-	1,461,927
Other debt securities structured products and NCDs	-	6,081,121	194,415	6,275,536
(ii) Held- for- trading (HFT)				
Equity securities	434,209	-	-	434,209
MGS/GII/MGGB [^]	-	75,241	-	75,241
Other debt securities structured products and NCDs	-	522,476	403,452	925,928
Unit and property trust funds	17,674	-	-	17,674
Derivative assets	-	-	10,569	10,569
Total assets	2,066,108	9,769,567	647,455	12,483,130
<u>Liabilities</u>				
Derivative Liabilities	-	-	-	-
Total liabilities	-	-	-	-

[^] MGS/GII/MGGB are government securities and government guaranteed debts.

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14. FAIR VALUES HIERARCHY (CONT'D)

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

31.12.2012

	Valuation technique using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
Assets				
AFS financial investments				
Equity securities	1,514,023	-	-	1,514,023
MGS/GII/MGGB [^]	-	60,170	-	60,170
Other debt securities structured products and NCDs	-	1,369,557	38,395	1,407,952
Irredeemable loan stock	22,574	-	-	22,574
Unit and property trust funds	101,654	-	-	101,654
Financial investments at FVTPL				
(i) Designated upon initial recognition				
MGS/GII/MGGB [^]	-	470,719	-	470,719
Other debt securities structured products and NCDs	-	7,285,684	218,124	7,503,808
(ii) Held- for- trading (HFT)				
Equity securities	412,342	-	-	412,342
MGS/GII/MGGB [^]	-	75,240	-	75,240
Other debt securities structured products and NCDs	-	328,957	266,505	595,462
Unit and property trust funds	18,392	-	-	18,392
Derivative assets	-	-	688	688
Total assets	2,068,985	9,590,327	523,712	12,183,024
Liabilities				
Derivative Liabilities	-	-	-	-
Total liabilities	-	-	-	-

Unquoted equities securities and unquoted unit and property trust fund of RM102,252,080 and RM49,978,910 (31.12.2012 : RM102,252,080 and RM54,302,280) respectively as disclosed in Note 10 are not included in the above analysis as they are carried at cost.

[^] MGS/GII/MGGB are government securities and government guaranteed debts.

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14. FAIR VALUES HIERARCHY (CONT'D)

(b) Reconciliation of level 3 fair value hierarchy

30.6.2013

	Financial instruments measured at fair value					Total RM'000
	AFS RM'000	Designated at FVTPL RM'000	HFT RM'000	Derivative assets RM'000	Derivative liabilities RM'000	
At 1 January 2013	38,395	218,124	266,505	688	-	523,712
Recognised in Income Statement:						
Realised gain/(loss)	-	-	-	46	-	46
Fair value gain/(loss)	200	1,291	(1,994)	(4,891)	-	(5,394)
Recognised in Other Comprehensive Income:						
Fair value gain/(loss)	424	-	-	-	-	424
Translation differences	-	-	-	-	-	-
Purchases	-	-	141,069	14,772	-	155,841
Sales	-	(25,000)	(2,128)	-	-	(27,128)
Settlements	-	-	-	(46)	-	(46)
At 30 June 2013	39,019	194,415	403,452	10,569	-	647,455
Total gains/(losses) recognised in Income Statement for financial instruments measured at fair value at the end of the reporting period	200	1,291	(1,994)	(4,891)	-	(5,394)
Total gains recognised in Other Comprehensive Income for financial instruments measured at fair value at the end of the reporting period	424	-	-	-	-	424

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14. FAIR VALUES HIERARCHY (CONT'D)

(b) Reconciliation of level 3 fair value hierarchy (Cont'd)

31.12.2012

	Financial instruments measured at fair value					Total RM'000
	AFS RM'000	Designated at FVTPL RM'000	HFT RM'000	Derivative assets RM'000	Derivative liabilities RM'000	
At 1 January 2012	56,507	286,198	-	33,355	(348)	375,712
Recognised in Income Statement:						
Realised gain/(loss)	829	-	-	(20,907)	348	(19,730)
Fair value gain/(loss)	-	11,926	-	(23,313)	-	(11,387)
Recognised in Other Comprehensive Income:						
Fair value gain/(loss)	1,059	-	-	-	-	1,059
Translation differences	-	-	-	6,671	-	6,671
Purchases	-	-	266,505	5,005	-	271,510
Sales	(20,000)	(80,000)	-	(123)	-	(100,123)
At 31 December 2012	38,395	218,124	266,505	688	-	523,712
Total gains/(losses) recognised in Income Statement for financial instruments measured at fair value at the end of the reporting year	-	11,926	-	(23,313)	-	(11,387)
Total gains/(losses) recognised in Other Comprehensive Income for financial instruments measured at fair value at the end of the reporting year	1,059	-	-	-	-	1,059

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15. SUBSEQUENT EVENT

On 5 July 2013, the Company has issued a Subordinated Bond of RM500.0 million in nominal value.

16. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2013 and 31 December 2012, as prescribed under the Framework is provided below:

	30.6.2013	31.12.2012
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	152,151	152,151
Reserves, including retained profits	4,056,821	3,718,355
	<u>4,208,972</u>	<u>3,870,506</u>
Tier 2 Capital		
Revaluation reserves	11,647	11,647
AFS reserves	229,514	264,666
Currency reserves	12,981	12,561
	<u>254,142</u>	<u>288,874</u>
Amount deducted from Capital	<u>(71,672)</u>	<u>(75,605)</u>
Total Capital Available	<u>4,391,442</u>	<u>4,083,775</u>

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17. INSURANCE FUNDS

The Company's principal activities are organised by funds and segregated into Shareholder's, General and Life funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

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

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

The General insurance businesses offer general insurance products which include Motor, Fire, Marine, Aviation and Transit ("MAT"), Health & Surgical and Miscellaneous products.

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2013**

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2013 RM'000	31.12.2012 RM'000	30.6.2013 RM'000	31.12.2012 RM'000	30.6.2013 RM'000	31.12.2012 RM'000
Assets:						
Property, plant and equipment	111,923	111,087	60,933	62,510	50,990	48,577
Investment properties	572,443	569,704	48,164	45,464	524,279	524,240
Prepaid land lease payments	20,026	20,341	10,037	10,113	9,989	10,228
Intangible assets	22,361	25,827	3,572	1,835	18,789	23,992
Investment in associate	152	152	152	152	-	-
Investments	13,494,616	13,265,325	2,552,308	2,322,616	10,942,308	10,942,709
Financing receivables	266,557	266,379	10,208	10,677	256,349	255,702
Reinsurance assets	1,906,321	1,691,599	1,875,185	1,657,786	31,136	33,813
Insurance receivables	609,467	386,074	547,088	355,041	62,379	31,033
Other receivables	231,314	248,297	81,653	76,415	149,661	171,882
Derivative assets	10,569	688	(6)	23	10,575	665
Current tax assets	19,330	6,602	48,348	4,302	(29,018)	2,300
Cash and bank balances	119,405	142,452	68,685	72,188	50,720	70,264
Total Assets	17,384,484	16,734,527	5,306,327	4,619,122	12,078,157	12,115,405

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17. INSURANCE FUNDS (CONT'D)

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION BY FUNDS (CONT'D)
AS AT 30 JUNE 2013

	Total		Shareholder's and General Fund		Life Fund	
	30.6.2013 RM'000	31.12.2012 RM'000	30.6.2013 RM'000	31.12.2012 RM'000	30.6.2013 RM'000	31.12.2012 RM'000
Equity and liabilities:						
Share capital	152,151	152,151	152,151	152,151	-	-
Reserves	2,604,146	2,422,190	2,604,146	2,422,190	-	-
	<u>2,756,297</u>	<u>2,574,341</u>	<u>2,756,297</u>	<u>2,574,341</u>	-	-
Insurance contract liabilities	12,974,950	12,665,407	2,754,944	2,532,135	10,220,006	10,133,272
Deferred tax liabilities	460,974	429,499	404,887	373,306	56,087	56,193
Insurance payables	586,887	405,177	563,822	378,684	23,065	26,493
Other payables ¹	244,025	292,355	(1,550,058)	(1,617,917)	1,794,083	1,910,272
Dividend payable	350,329	350,329	350,329	350,329	-	-
Current tax liabilities	11,022	17,419	26,106	28,244	(15,084)	(10,825)
Total Liabilities	<u>14,628,187</u>	<u>14,160,186</u>	<u>2,550,030</u>	<u>2,044,781</u>	<u>12,078,157</u>	<u>12,115,405</u>
Total equity and liabilities	<u>17,384,484</u>	<u>16,734,527</u>	<u>5,306,327</u>	<u>4,619,122</u>	<u>12,078,157</u>	<u>12,115,405</u>

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

Inter fund balances - - (1,234,914) (1,708,351) 1,234,914 1,708,351

17. INSURANCE FUNDS (CONT'D)

UNAUDITED INTERIM INCOME STATEMENT/REVENUE ACCOUNTS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	Total		Shareholder's Fund		General Fund		Life Fund	
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Gross Premium	1,447,407	1,573,847	-	-	842,485	816,797	604,922	757,050
Investment income	291,168	286,003	32,627	22,973	13,401	14,626	245,140	248,404
Operating revenue	1,738,575	1,859,850	32,627	22,973	855,886	831,423	850,062	1,005,454
Gross earned premiums	1,316,523	1,571,485	-	-	711,601	814,435	604,922	757,050
Premiums ceded to reinsurers	(422,390)	(513,149)	-	-	(415,921)	(502,159)	(6,469)	(10,990)
Net earned premiums	894,133	1,058,336	-	-	295,680	312,276	598,453	746,060
Fee and commission income	35,476	33,984	-	-	34,569	32,781	907	1,203
Investment income	291,168	286,003	32,627	22,973	13,401	14,626	245,140	248,404
Realised gains and losses	282,057	207,306	38,911	18,585	18,113	10,785	205,033	177,936
Fair value gains and losses	(28,949)	(65,020)	1,997	(157)	(565)	168	(30,381)	(65,031)
Other operating revenue	(558)	55,317	5	(1)	2,035	3,446	(2,598)	51,872
Other revenue	559,194	517,590	73,540	41,400	67,553	61,806	418,101	414,384
Gross benefits and claims paid	(870,404)	(1,134,478)	-	-	(211,352)	(229,484)	(659,052)	(904,994)
Claims ceded to reinsurers	58,628	83,801	-	-	51,865	77,339	6,763	6,462
Gross change to contract liabilities	(181,869)	(163,744)	-	-	(91,925)	(166,829)	(89,944)	3,085
Change in contract liabilities ceded to reinsurers	82,981	128,947	-	-	85,657	131,700	(2,676)	(2,753)
Net benefits and claims	(910,664)	(1,085,474)	-	-	(165,755)	(187,274)	(744,909)	(898,200)
Management expenses	(136,912)	(137,300)	(1,358)	(989)	(66,160)	(74,120)	(69,394)	(62,191)
Fee and commission expenses	(93,762)	(105,897)	-	-	(58,339)	(60,621)	(35,423)	(45,276)
Other expenses	(230,674)	(243,197)	(1,358)	(989)	(124,499)	(134,741)	(104,817)	(107,467)
Profit/Surplus before tax	311,989	247,255	72,182	40,411	72,979	52,067	166,828	154,777
Surplus/(deficit) from Revenue Accounts	-	-	51,883	36,709	(51,883)	(36,709)	-	-
- General Funds	-	-	(1,294)	(264)	-	-	1,294	264
- Life Par Funds	-	-	140,513	124,811	-	-	(140,513)	(124,811)
- Life Non Par Funds	-	-	-	-	-	-	-	-
Taxation	(101,229)	(83,154)	(52,524)	(37,566)	(21,096)	(15,358)	(27,609)	(30,230)
Net profit after tax	210,760	164,101	210,760	164,101	-	-	-	-

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17. INSURANCE FUNDS (CONT'D)

**UNAUDITED INTERIM STATEMENT OF CASH FLOWS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013**

	Total		Shareholder's Fund		General Fund		Life Fund	
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Cash flows from:								
Operating activities	89,374	387,776	147,709	256,998	5,558	27,043	(63,893)	103,735
Investing activities	(112,421)	(255,851)	(146,729)	(257,168)	(10,041)	105,686	44,349	(104,369)
Financing activity	-	-	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(23,047)	131,925	980	(170)	(4,483)	132,729	(19,544)	(634)
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial period	142,452	129,372	1,934	761	70,254	87,283	70,264	41,328
Cash and cash equivalents at end of financial period	119,405	261,297	2,914	591	65,771	220,012	50,720	40,694

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**18. UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION FOR
 INVESTMENT-LINKED FUNDS
 AS AT 30 JUNE 2013**

	30.6.2013 RM'000	31.12.2012 RM'000
Assets:		
Investments	982,544	1,124,732
Structured products	593,632	266,505
Other receivables	18,632	9,017
Derivative assets	10,677	269
Cash and bank balances	523	1,016
Total Assets	<u>1,606,008</u>	<u>1,401,539</u>
Liabilities:		
Deferred tax liabilities	6,851	5,776
Other payables	3,892	36,165
Current tax liabilities	8,552	4,832
Total Liabilities	<u>19,295</u>	<u>46,773</u>
Net asset value of funds (Note 11)	<u>1,586,713</u>	<u>1,354,766</u>

**UNAUDITED INTERIM INCOME STATEMENT FOR INVESTMENT-LINKED
 FUNDS
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013**

	30.6.2013 RM'000	30.6.2012 RM'000
Investment income	19,519	19,695
Realised gains/(losses)	30,946	(1,724)
Fair value gains/(losses)	12,303	(19,089)
Other operating (expenses)/revenue	(4,020)	39,369
Other revenue	<u>58,748</u>	<u>38,251</u>
Management expenses	(18)	(23)
Other expenses	<u>(18)</u>	<u>(23)</u>
Profit/Surplus before tax	58,730	38,228
Taxation	(5,113)	(2,715)
Net profit/Surplus after tax	<u>53,617</u>	<u>35,513</u>