



Building a better  
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**AMMETLIFE INSURANCE BERHAD**

**(15743 - P)**

**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**

**31 March 2017**

**AmMetLife Insurance Berhad  
(Incorporated in Malaysia)**

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**DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is the underwriting of life and investment-linked insurance businesses. The principal activity of the subsidiary is set out in Note 7(b) to the financial statements.

**RESULTS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Net profit for the financial year	<u>65,372</u>	<u>66,135</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDENDS**

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

The Directors do not recommend any dividend payment in respect of the current financial year.

**ISSUE OF SHARES AND DEBENTURES**

The Company has not issued any new shares or debentures during the financial year.

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**SHARE OPTIONS**

There were no options granted during the financial year by the Company to any parties to take up unissued shares of the Company. No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no options to take up unissued shares of the Company.

**DIRECTORS**

The Directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Azman Hashim (Chairman)	(Non-independent, non-executive director)
Dato' Abdullah Bin Mat Zaid	(Independent, non-executive director)
Mr Cho Horng Fatt	(Independent, non-executive director)
Mr Phoon Soon Keong	(Independent, non-executive director)
Dato' Seow Thiam Fatt	(Independent, non-executive director)
Mr Sathasivan A/L Kunchambo (Appointed on 19 September 2016)	(Independent, non-executive director)
Dato' Sulaiman Bin Mohd Tahir (Appointed on 20 September 2016)	(Non-independent, non-executive director)
Mr Damien Allen Green (Appointed on 18 January 2017)	(Non-independent, executive director)
Dato' Dr Nirmala Menon YB Menon (Resigned on 25 November 2016)	(Non-independent, executive director)
Mr Toby Srihiran-Brown (Resigned on 18 January 2017)	(Non-independent, non-executive director)

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amounts of emoluments received or due and receivable by the directors as shown in Note 19(b) and Note 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a Company in which the director has a substantial financial interest.

Neither at the end of the financial year nor at any time during that year, did there subsist any arrangements to which the Company was a party with the object of enabling the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad ("AMMB"), the holding company of one of the Company's shareholders.

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**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the interests in shared and options in the holding company of Directors in office at the end of the financial year were as follows:

**Direct interest:**

**AMMB Holdings Berhad ("AMMB")**

Scheme shares*	<u>Number of ordinary shares of RM1.00 each pursuant to</u>				Balance as at 31.03.2017
	<u>Balance as at</u> 20.09.2016	<u>Granted</u>	<u>Vested</u>	<u>Forfeited<sup>^</sup></u>	
Dato' Sulaiman Mohd Tahir	-	200,400	-	-	200,400

**Notes:**

\* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of the service conditions and the performance targets of AMMB Group, and all other conditions as set out in the By-Laws of AMMB Executives' Share Scheme.

<sup>^</sup> Forfeited due to non-vesting of Long Term Incentive Award pursuant to the By-Laws of AMMB Executives' Share Scheme.

Other than as disclosed, the Directors in office at the end of the financial year had no interest in share of the Company or its related corporations during the financial year.

**CORPORATE GOVERNANCE**

The Group and the Company have complied with the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under BNM/RH/PD029-9 *Corporate Governance* as issued by Bank Negara Malaysia ("BNM").

**Board Responsibilities**

The Board of Directors ("the Board") remains fully committed in ensuring that the principles and best practices in corporate governance are observed by the Group. The Board supervises the management of the Group in business policies and affairs with the goal of enhancing shareholders' value.

The Board meets eight (8) times per year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business development, human resource and establishes guidelines for overall business, risk and control policies, capital allocation as well as approves all key business developments.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Board Activities**

The Board currently comprises eight (8) directors with wide-ranging skills and experience. The Board is represented by two (2) non-independent, non-executive directors, one (1) non-independent, executive director and five (5) independent, non-executive directors of calibre, and with necessary skills and diverse corporate experience to ensure that strategies proposed by the management are fully discussed and examined, as well as to take into account the long term interests of various stakeholders. During the year, the Board met eight (8) times.

All directors review Board reports prior to the Board meetings. The reports are issued with sufficient time to enable the directors to obtain further explanations, where necessary, before the meetings.

In addition, the Board decides on matters reserved specifically for its decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group and the Company, major investments, changes to the management and control structure of the Group and of the Company, including key policies, procedures and authority limits.

The Board has also adopted a policy for induction and education of Directors. The program is to provide essential and comprehensive information to a new director in order for him to be familiar with relevant insurance industry regulatory requirements and the Company's nature of business. The Directors may also request independent professional advice, at the Group's expense. The Company Secretary, to whom the Directors have independent access, assists the Board and keeps it apprised of relevant laws and regulations.

**Profile of Directors**

**TAN SRI AZMAN HASHIM**

**Non-Independent Non-Executive Chairman**

Tan Sri Azman Hashim, aged 77, was appointed to the Board of the Company on 23 April 2002.

Tan Sri Azman is also the Chairman of the Board of AMMB Holdings Berhad ("AMMB") and several subsidiaries of AMMB, namely AmBank (M) Berhad, AmInvestment Bank Berhad, AmGeneral Insurance Berhad, AmGeneral Holdings Berhad and AmInvestment Group Berhad.

Tan Sri Azman, a Fellow Chartered Banker (FCB), a Chartered Accountant (FCPA), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined Bank Negara Malaysia and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmInvestment Bank Berhad.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Profile of Directors (cont'd.)**

**TAN SRI AZMAN HASHIM (cont'd)**

**Non-Independent Non-Executive Chairman**

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and Chairman of the Asian Institute of Finance Berhad, the Asian Institute of Chartered Bankers, Asian Banking School Sdn Bhd, Malaysian Investment Banking Association, the Malaysia Productivity Corporation, Malaysia South-South Corporation Berhad and Chairman Emeritus of Pacific Basin Economic Council (PBEC).

He is the President of Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysia Prison FRIENDS Club and a Member of the APEC Business Advisory Council and East Asia Business Council. He is also the Leader of the ASEAN Japanese Business Meeting (Malaysia Committee, Keizai Doyukai). He is the Pro-Chancellor of Open University of Malaysia and a member of the Governing Body of Asian Productivity Organisation. Tan Sri Azman is also involved in several charitable organisations as Chairman of Trustee AmGroup Foundation, Perdana Leadership Foundation, Trustee for Yayasan Azman Hashim, Malaysian Liver Foundation, Yayasan Tuanku Najihah and Yayasan Canselor Open University Malaysia. Tan Sri Azman is also the Founder and Council Member of Azman Hashim Family (L) Foundation and Azman Hashim Charitable (L) Foundation.

**MR CHO HORNG FATT**

**Independent Non-Executive Director**

Mr Cho Horng Fatt, aged 63, was appointed to the Board of the Company on 15 July 2010.

Mr Cho is the Chairman of the Risk Management Committee of Directors and a member of the Audit and Examination Committee of Directors and Nomination and Remuneration Committee of the Company.

Mr Cho has more than 30 years of experience in the Life and General Industry. He has wide experience covering Sales & Distribution, Marketing, Operations, Life Strategic Business Unit and Corporate Governance.

Mr Cho holds a Bachelor of Science degree with Honours from the University of London and a Postgraduate Diploma in Education from the University of Malaysia. He is a Member of the Malaysian Institute of Management and was an Associate Member of Chartered Financial Planner Malaysia.

Mr Cho started his career in the insurance industry as a Management Trainee in ULGI in 1983. Under Aetna, he moved on quickly to become Division Manager of Marketing Services and Sales Administration. Subsequently, he was appointed Assistant General Manager and later General Manager of Agency Sales for Individual Life, Home Service and General Insurance. He moved on to become the General Manager of Life Operations and Customer Service. Under a restructuring exercise, Mr Cho was appointed the General Manager and Head of the Life Strategic Business Unit in charge of the Company's Life Business.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Profile of Directors (cont'd.)**

**MR CHO HORNG FATT (cont'd)**  
**Independent Non-Executive Director**

Under ING, Mr Cho held the position of Senior Vice President and Head of Retail Distribution responsible for Agency Sales of both Life and General Insurance, ING Training Centre and Sales Administration & Support. He officially retired from the Company in December 2006. Upon his retirement, he served as a Consultant to ING for the whole of 2007. In 2009, he was invited to serve as a Consultant again to the new President of ING from April 2009 to September 2009.

He is also an Independent Non-Executive Director of AmMetLife Takaful Berhad.

**MR PHOON SOON KEONG**  
**Independent Non-Executive Director**

Mr Phoon Soon Keong, aged 62, was appointed to the Board of the Company on 30 April 2014.

Mr Phoon is a member of Risk Management Committee of Directors and Nomination and Remuneration Committee of the Company.

Mr Phoon is a qualified Certified Public Accountant, Malaysia and is a member of the Malaysia Institute of Accountants ("MIA"). He started his career with Pricewaterhouse (currently known as PricewaterhouseCoopers ("PwC")) as an audit clerk in 1975. He left PwC and started his own practice in 1980 and was a partner in PC Chan & Partners from 1981 to 1986. He rejoined PwC in December 1986. He was the Executive Director in the Corporate Finance Practice in the Firm from 1996 till his retirement in 2010. During his tenure as Executive Director, he was the leader of the Valuation and Strategy Practice of PricewaterhouseCoopers Capital Sdn Bhd.

He has extensive experience in audit, corporate finance, business regeneration, strategic management and corporate and debt restructuring. He is a specialist in the general insurance industry. Other industries which he has consulted include insurance, manufacturing, plantations, oil & gas, property development, construction and electricity.

He is also an Independent Non-Executive Director of AmMetLife Takaful Berhad.

**DATO' ABDULLAH MAT ZAID**  
**Independent Non-Executive Director**

Dato' Abdullah Mat Zaid, aged 70, was appointed to the Board the Company on 30 April 2014.

Dato' Abdullah is the Chairman of Nomination and Remuneration Committee and a member of Audit and Examination Committee of Directors of the Company.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Profile of Directors (cont'd.)**

**DATO' ABDULLAH MAT ZAID (cont'd)**  
**Independent Non-Executive Director**

Dato Abdullah holds an MBA from the International Management Centre, Buckingham, England and a Bachelor of Arts degree from the University of Malaya, Kuala Lumpur. He had also undergone the Program for Management Development at Harvard Business School, Boston, USA in 1981. He retired as Executive Vice President of Malaysian Airlines Systems Berhad in 2001 after serving the Airline for over 29 years. He has served as Chairman and Director of many related and affiliated companies of Malaysian Airlines System Berhad until his retirement in November 2001. He had also served as Chairman and Director of ING Public Takaful Ehsan Sdn. Bhd. and as a Director of ING Funds Berhad.

He is also an Independent Non-Executive Director of AmMetLife Takaful Berhad.

**DATO' SEOW THIAM FATT**  
**Independent Non-Executive Director**

Dato' Seow Thiam Fatt, aged 76, was appointed to the Board of the Company on 30 April 2014. Dato' Seow is the Chairman of Audit and Examination Committee of Directors of the Company.

Dato' Seow is a Fellow of CPA Australia, past Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Institute of Chartered Secretaries and Administrators. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants (MICPA). He served several years as a Council Member of MICPA and was its President for two years. He also served four years as a Government appointed Independent Director of the previous Kuala Lumpur Commodities Exchange (KLCE). He was the Chairman of the Business Conduct Committee of KLCE for two years. He is also a past Council Member of MAICSA (Chartered Secretaries, Malaysia) and is currently Chairman of its Audit Committee.

He has more than 20 years' professional experience as a former Partner in the accounting firms of Larry Seow & Co., Moores & Rowland and Arthur Young. He diverted from professional practice in 1994 and thereafter held senior positions in several public companies, including being the Finance Director of AC Nielsen (Malaysia) Sdn Bhd and Business Development Manager of Bolton Berhad. He also held the position as General Manager of the Financial Reporting Surveillance and Compliance Department in the Securities Commission of Malaysia.

He is currently an Independent Non-Executive Chairman of Sersol Berhad. He was also the past Independent Non-Executive Director of Affin Investment Bank Berhad, ING Insurance Berhad, ING Funds Berhad, Tan Chong Motor Holdings Berhad and Warisan TC Holdings Berhad.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Profile of Directors (cont'd.)**

**MR SATHASIVAN KUNCHAMBOO  
Independent Non-Executive Director**

Mr Sathasivan Kunchambo, aged 59, was appointed to the Board of the Company on 19 September 2016. Mr Sathasivan is also a member of the Risk Management Committee of Directors of the Company.

Mr Sathasivan holds a Master in Business Administration from University of Birmingham, United Kingdom and Bachelor of Business Administration from National University of Malaysia. He also holds Bachelor of Law from University of London and Certificate of Legal Practice from Legal Profession Qualifying Board, Malaysia.

Mr Sathasivan has over 17 years of experience in regulation and supervision of the Insurance industry of Malaysia, in particular general insurance, offshore insurance, reinsurance and Takaful.

Mr Sathasivan joined Bank Negara Malaysia ("BNM") from year 1982 to 2013. From December 2005 to November 2013, Mr Sathasivan held a position as Senior General Manager of Credit Guarantee Corporation Malaysia Berhad, a subsidiary of BNM. Prior to that, Mr Sathasivan held various positions in Insurance Regulation Department namely, Deputy Director of Strategic Planning Division, Deputy Director of General Insurance Division, Senior Manager of Motor Insurance Unit, Senior Manager of Reinsurance Unit and Manager of Labuan Offshore Insurance Unit. He also held positions as Manager of Legal Department, Senior Executive of Personnel Department as well as Training Officer of Staff Training Centre.

Mr. Sathasivan is also an Independent Non-Executive Director of AmGeneral Insurance Berhad.

**MR DAMIEN ALLEN GREEN  
Non-Independent Executive Director**

Mr Damien Allen Green, aged 47, was appointed to the Board of the Company on 18 January 2017.

Mr Green joined MetLife Korea as the Chief Executive Officer ("CEO") and President in August 2014. In August 2016, Mr Green was appointed as the Chairman of MetLife Korea Board of Directors and the Chairman of MetLife Korea Foundation in March 2016.

In October 2016, Mr Green took on expanded responsibilities as the Regional Executive to oversee Hong Kong, Vietnam and Malaysia while continuing to serve as CEO of MetLife Korea based in Seoul.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Profile of Directors (cont'd.)**

**MR DAMIEN ALLEN GREEN (cont'd.)  
Non-Independent Executive Director (cont'd.)**

Mr Green has over 15 years of insurance industry experience and has held a number of key senior leadership positions across multiple Asian markets and industry segments including Life, Pensions and Employee Benefits. He joined MetLife in 2013 as Regional Head of Employee Benefits based in Hong Kong, and put in place a growth strategy that yielded strong results in the Japanese, Chinese, Australian and Indian markets. As an additional responsibility in 2014 he was asked to act as caretaker CEO of MetLife Australia and following this transition permanently to MetLife Korea.

He is also an Independent Non-Executive Director of AmMetLife Takaful Berhad.

**DATO' SULAIMAN MOHD TAHIR  
Non-Independent Non-Executive Director**

Dato' Sulaiman Mohd Tahir, aged 53, was appointed to the Board of the Company on 20 September 2016. Dato' Sulaiman is also a member of the Nomination and Remuneration Committee of the Company.

Dato' Sulaiman is the Group Chief Executive Officer of AMMB Holdings Berhad and Chief Executive Officer of AmBank (M) Berhad. Dato' Sulaiman joined AmBank Group on 23 November 2015 and has a wealth of experience backed by 28 years of spearheading growth in consumer banking and transformation programmes.

Dato' Sulaiman holds a Bachelor of Business degree in Accountancy from the Royal Melbourne Institute of Technology in Australia. Dato' Sulaiman served Pricewaterhouse before repositioning his career in banking with the Bank of Commerce (M) Berhad (now known as CIMB Bank) in 1987. Prior to joining AmBank, he was previously Chief Executive Officer/Executive Director of CIMB Bank Berhad. During his tenure as CEO of CIMB Bank Berhad, Dato' Sulaiman spearheaded the overall development, management and performance of the sales and distribution channels for CIMB Bank.

He is also a Non-Independent Non-Executive Director of AmMetLife Takaful Berhad and AmGeneral Insurance Berhad, a Director of AmGeneral Holdings Berhad and AMAB Holdings Sdn Bhd.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Director's Training**

The Board recognises the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board would attend a formal induction programme to familiarise themselves with the Company's strategy and aspiration, understanding of the line of businesses and corporate functions, key financial highlights, people initiatives, requirements of audit, compliance and risk management conducted by the Chief Executive Officer/Heads of the business units as well as Senior Management, organised by the Group Learning and Development unit. The Company Secretary would also provide the new Directors with an information kit regarding disclosure obligations of a director, Board Charter, Code of Ethics, Memorandum and Articles of Association of the Company, Board Committees' Terms of Reference, amongst others.

Apart from the Financial Institutions Directors' Education (FIDE) Programme accredited by ICLIF, all Directors appointed to the Board, have also attended other relevant training programmes and seminars organised by the regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Company. The Directors also attend offsite Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the Company's strategic direction. In addition, the Directors are constantly updated on information relating to the Company's development and industry development through discussion at Board meetings with the Senior Management team.

**Membership and Board Meetings for the Financial Year Ended 31 March 2017**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Tan Sri Azman Hashim (Chairman)	8/8
Mr Cho Horng Fatt	8/8
Dato' Abdullah Bin Mat Zaid	8/8
Mr Phoon Soon Keong	8/8
Dato' Seow Thiam Fatt	8/8
Mr Sathasivan A/L Kunchambo (Appointed on 19 September 2016)	5/5
Dato' Sulaiman Bin Mohd Tahir (Appointed on 20 September 2016)	4/5
Dato' Dr Nirmala Menon YB Menon (Resigned on 25 November 2016)	4/4
Mr Damien Allen Green (Appointed on 18 January 2017)	2/2
Mr Toby Srihiran-Brown (Resigned on 18 January 2017)	5/6

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**CORPORATE GOVERNANCE (CONT'D.)**

**Board Committees**

The Board delegates certain responsibilities to Board Committees. The Committees which were set up to assist the Board in certain areas of deliberation are:

- (1) Nomination and Remuneration Committee
- (2) Risk Management Committee
- (3) Audit and Examination Committee

**Nomination and Remuneration Committee**

The Committee currently comprises of three (3) independent, non-executive directors and one (1) non-independent, non-executive director.

The functions of the Committee are:

- (a) regularly reviewing the Board structure, size and composition, as well as making recommendation to the Board of the Company with regard to any changes that are deemed necessary;
- (b) recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board;
- (c) on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board;
- (d) recommending the appointments of Chief Executive Officer and his direct reports, and the Company Secretary to the Board;
- (e) recommending the removal of Director/Chief Executive Officer and his direct reports/Company Secretary if the Director/Chief Executive Officer and his direct reports/Company Secretary is ineffective, errant and negligent in discharging his responsibilities; and
- (f) recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officer and other Senior Management staff, benchmarked against the industry. Remuneration is determined at levels, which enable the Company to attract and retain the Directors, Chief Executive Officer and Senior Management staff with the relevant experience and expertise needed to assist in managing the Company effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Membership and Meetings of the Nomination and Remuneration Committee for the Financial Year Ended 31 March 2017**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Dato' Abdullah Bin Mat Zaid (Chairman)	6/6
Mr Cho Horng Fatt	6/6
Mr Phoon Soon Keong	6/6
Dato' Sulaiman Mohd Tahir (Appointed on 20 September 2016)	2/3
Mr Toby Srihiran-Brown (Resigned on 18 January 2017)	3/5

**Risk Management Committee**

The Committee currently comprises three (3) independent, non-executive directors. The primary objective of the Risk Management Committee is to oversee senior management's activities in managing the key risk areas of the Group and to determine that the risk management process is in place and functioning effectively.

The functions of the Committee are:

- (a) reviewing and recommending Risk Management strategies, policies and risk tolerance for the Board's approval;
- (b) reviewing and assessing the adequacy of Risk Management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (c) ensuring that adequate infrastructure, resources and systems are in place for an effective Risk Management i.e. ensuring that the staff responsible for implementing Risk Management systems perform those duties independently of the insurer's risk taking activities; and
- (d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Membership and Meetings of the Risk Management Committee for the Financial Year Ended 31 March 2017**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Mr Cho Horng Fatt (Chairman)	6/6
Mr Phoon Soon Keong	6/6
Mr Sathasivan A/L Kunchambo (Appointed on 19 September 2016)	4/4
Mr Toby Srihiran-Brown (Resigned on 18 January 2017)	4/5

**Audit and Examination Committee**

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Group's assets and shareholders' investments. The Committee currently comprises three (3) independent, non-executive directors.

The primary objective of the AEC is to provide assistance to, review and report to the Board in relation to:

- (i) fulfilling the statutory and fiduciary responsibilities of the Board; and
- (ii) monitoring of the accounting and financial reporting practices of the Group.

The AEC also determines that the Group has adequate established policies, procedures and guidelines as well as operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct including protection of the assets of the Group.

**Membership and Meetings of the Audit and Examination Committee for the Financial Year Ended 31 March 2017**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Dato' Seow Thiam Fatt (Chairman)	5/5
Mr Cho Horng Fatt	5/5
Dato' Abdullah Bin Mat Zaid	5/5
Mr Toby Srihiran-Brown (Resigned on 18 January 2017)	4/4

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**CORPORATE GOVERNANCE (CONT'D.)**

**Compensation Philosophy and Its Objectives**

AmMetLife Insurance Berhad's compensation program is designed to provide competitive Total Compensation opportunities that will attract, retain, engage and motivate high performing employees; align the Company's compensation plans with its short and long-term business strategies; align the financial interests of the Company's employees with those of its shareholders through stock-based incentives; and reinforce the Company's pay for performance culture by making a material portion of Total Compensation variable, and differentiating awards based on Company and individual performance.

AmMetLife uses competitive tool compensation guidelines that consist of base salary, annual incentive awards, and stock-based long-term incentive awards opportunities.

Each employee's total compensation reflects an assessment of the Company's and the employee's performance as well as competitive market. The Compensation Philosophy is approved by the Board and is subject to annual review.

The compensation of the CEO and Key Responsible Person ("KRPs") of the Company are reviewed annually by Nomination and Remuneration Committee ("NRC"), based on the overall Compensation Philosophy approved by the Board. KRPs comprise of Appointed Actuary, Chief Financial Officer, Chief Risk Officer, Chief Internal Audit and Head of Compliance.

Employees engaged in control functions including Actuarial, Compliance, Risk and Audit do not carry and are not assessed on business financial targets in their yearly appraisal. Their performance are reviewed by relevant Board Committee (i.e. NRC, Risk Management Committee of Directors ("RMCD") and Audit and Examination Committee ("AEC")) and their compensation purely based on their achievement against set KPIs within their respective area.

Other Material Risk Takers ("MRTs") in the Company has been identified as an employee who is not a member of the KRPs and Senior Management that his/her actions may have material impact on the Company's risk profile. There are two MRTs identified and they are subject to performance and compensation review by relevant Board Committee commencing 2017.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Compensation Philosophy and Its Objectives (cont'd.)**

Description	Strategic Role
<p><b>Base Salary</b> - is determined based on position, scope of responsibilities, individual performance, and competitive data.</p>	<ul style="list-style-type: none"> <li>▪ Provides fixed compensation for services during the year.</li> </ul>
<p><b>Annual Incentive Awards</b> are:</p> <ul style="list-style-type: none"> <li>▪ variable based on performance relative to Company and individual goals and additional business challenges or opportunities that arose during the year; and</li> <li>▪ determined using management's assessment of performance as a whole, and not by a formula.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provides fixed compensation for services during the year.</li> <li>▪ Motivate employees to achieve strong annual business results that will contribute to the Company's long-term success, without creating an incentive to take excessive risk.</li> </ul>
<p><b>Stock-Based Long-Term Incentive Awards</b> are:</p> <ul style="list-style-type: none"> <li>▪ a core component of compensation for Senior Management, with progressively higher opportunities at levels with greater influence on strategy and decision-making.</li> <li>▪ based on the assessment of individual responsibility, performance, relative contribution, and potential for assuming increased responsibilities and future contributions.</li> <li>▪ dependent on the value of Shares (Restricted Stock Units), increases in the price of Shares (Stock Options), or a combination of performance as well as the value of Shares (Performance Shares).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that management level employees have a significant continuing stake in the long-term financial success of the Company.</li> <li>▪ Align executives' interests with those of shareholders.</li> <li>▪ Encourage decisions and reward performance that contribute to the long-term growth of the Company's business and enhance shareholder value.</li> <li>▪ Encourage executives to remain with AmMetLife.</li> </ul>
<p><b>Benefits</b> – in form of cash or in-kind that reflect, to a certain extent, the industry norm. Benefits schemes are structured to vary according to job level, nature of work and give basic assistance to employees at various stages in their life.</p>	<ul style="list-style-type: none"> <li>▪ Ensure the Company remain its competitiveness within the Insurance Industry to attract, retain and engage employees.</li> </ul>

Variable compensation such as annual incentives awards and stock-based long-term incentive awards are generally paid/awarded once a year approved by NRC and the Board. NRC takes into consideration factors such as market competitiveness, market benchmark and the time horizon of risks.

**AmMetLife Insurance Berhad**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE (CONT'D.)**

**Compensation Philosophy and Its Objectives (cont'd.)**

The Company does not have any share option scheme or share plan in place. Instead, the Company leverage on its primary shareholder, MetLife, grants deferred share options to eligible senior management in the form of cash-paid equivalents.

Details of six (6) KRPs including CEO's compensation are disclosed in the table below.

	Unrestricted RM'000	Deferred RM'000
<b>Fixed Compensation</b>		
▪ Cash-based	4,008	-
▪ Shares and share-linked instruments	-	-
▪ Others	981	-
<b>Variable Compensation</b>		
▪ Cash-based (Stock-based LTI)	1,570	502
▪ Shares and share-linked instruments	-	-
▪ Others	-	-

**OTHER STATUTORY INFORMATION**

- (a) Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of the business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances that have arisen which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**AmMetLife Insurance Berhad  
(Incorporated in Malaysia)**

**OTHER STATUTORY INFORMATION (CONT'D.)**

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and of the Company.

- (g) Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM.

**SIGNIFICANT EVENT**

There were no significant events during the financial year or significant events subsequent to the end of the financial year that require disclosures in the financial statements.

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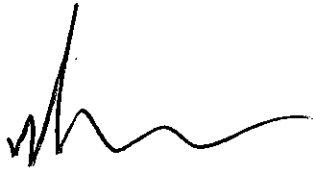
**AmMetLife Insurance Berhad**  
**(Incorporated in Malaysia)**

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 19 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 June 2017.



Tan Sri Azman Hashim

Kuala Lumpur, Malaysia



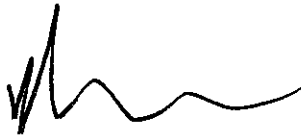
Dato' Seow Thiam Fatt

**AmMetLife Insurance Berhad  
(Incorporated in Malaysia)**

**STATEMENTS BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Tan Sri Azman Hashim and Dato' Seow Thiam Fatt, being two of the directors of AmMetLife Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 24 to 154 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of the results and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 June 2017.



Tan Sri Azman Hashim



Dato' Seow Thiam Fatt

Kuala Lumpur, Malaysia

**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016**

I, Ch'ng Sok Heang, being the officer primarily responsible for the financial management of AmMetLife Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 24 to 154 are in my opinions correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

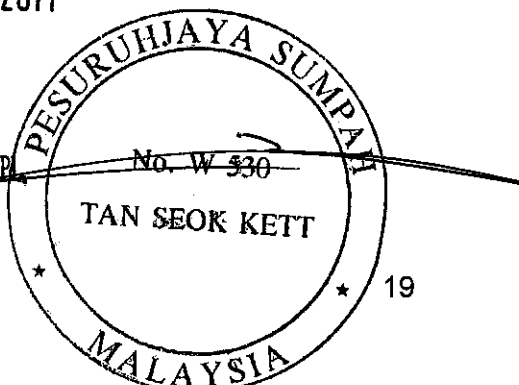
Subscribed and solemnly declared by  
the abovenamed Ch'ng Sok Heang  
at Kuala Lumpur in Wilayah Persekutuan  
on **14 JUN 2017**



Ch'ng Sok Heang

Before me,

Lot 350, 3rd Floor, Wisma MPA  
Jalan Raja Chulan,  
50200 Kuala Lumpur.



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**Independent auditors' report to the members of  
AmMetLife Insurance Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of AmMetLife Insurance Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Corporate Governance, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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**Independent auditors' report to the members of  
AmMetLife Insurance Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (cont'd.)*

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibility for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**Independent auditors' report to the members of  
AmMetLife Insurance Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Auditors' responsibility for the audit of the financial statements (cont'd.)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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**Independent auditors' report to the members of  
AmMetLife Insurance Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Auditors' responsibility for the audit of the financial statements (cont'd.)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Dato' Megat Iskandar Shah Bin Mohamad Nor  
No. 3083/07/17(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
14 June 2017

**AmMetLife Insurance Berhad**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Property and equipment	4	41,094	46,475	41,094	46,475
Investment properties	5	89,263	88,353	89,263	88,353
Intangible assets	6	35,201	28,613	35,201	28,613
Investments	7	2,841,615	2,794,690	2,844,034	2,799,891
Reinsurance assets	8	10,061	15,157	10,061	15,157
Insurance receivables	9	91,238	80,460	91,238	80,460
Other receivables	10	57,154	57,607	54,686	49,082
Cash and bank balances		36,848	89,000	36,848	89,000
<b>Total assets</b>		<b>3,202,474</b>	<b>3,200,355</b>	<b>3,202,425</b>	<b>3,197,031</b>
<b>Equity</b>					
Share capital	11	200,000	200,000	200,000	200,000
Retained profits		323,491	258,119	325,509	259,374
Available-for-sale fair value reserves		(24)	(143)	(1,563)	(1,092)
<b>Total equity</b>		<b>523,467</b>	<b>457,976</b>	<b>523,946</b>	<b>458,282</b>
<b>Liabilities</b>					
Insurance contract liabilities	12	2,463,305	2,534,266	2,463,305	2,534,266
Deferred tax liabilities	13	49,392	33,206	48,906	32,906
Insurance payables	14	52,698	39,343	52,698	39,343
Provision for taxation		596	746	596	746
Other payables	15	113,016	134,818	112,974	131,488
<b>Total liabilities</b>		<b>2,679,007</b>	<b>2,742,379</b>	<b>2,678,479</b>	<b>2,738,749</b>
<b>Total equity and liabilities</b>		<b>3,202,474</b>	<b>3,200,355</b>	<b>3,202,425</b>	<b>3,197,031</b>

The Statements of Financial Position of the Group and of the Company by funds are disclosed in Note 32.

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

**AmMetLife Insurance Berhad**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Gross earned premiums		391,337	437,711	391,337	437,711
Premiums ceded to reinsurers		(44,385)	(39,224)	(44,385)	(39,224)
<b>Net earned premiums</b>		<b>346,952</b>	<b>398,487</b>	<b>346,952</b>	<b>398,487</b>
Investment income	16	148,925	148,611	148,537	148,787
Realised gains and losses	17	(5,526)	1,902	(4,249)	1,360
Fair value losses	18	(5,542)	(9,323)	(6,052)	(11,716)
Other operating income		14,150	91	14,150	91
<b>Other revenue</b>		<b>152,007</b>	<b>141,281</b>	<b>152,386</b>	<b>138,522</b>
Gross benefits and claims		(334,947)	(401,496)	(334,947)	(401,496)
Claims recoveries from reinsurers		31,380	35,809	31,380	35,809
Gross change in contract liabilities		66,403	12,041	66,403	12,041
Change in contract liabilities ceded to reinsurers		(2,969)	1,829	(2,969)	1,829
<b>Net benefits and claims</b>		<b>(240,133)</b>	<b>(351,817)</b>	<b>(240,133)</b>	<b>(351,817)</b>
Fee and commission expenses		(40,634)	(35,395)	(40,634)	(35,395)
Management expenses	19	(130,850)	(147,591)	(130,466)	(147,224)
Taxation of life insurance business	20	(6,119)	(4,628)	(6,119)	(4,628)
<b>Other expenses</b>		<b>(177,603)</b>	<b>(187,614)</b>	<b>(177,219)</b>	<b>(187,247)</b>
<b>Profit/(loss) before taxation</b>		<b>81,223</b>	<b>337</b>	<b>81,986</b>	<b>(2,055)</b>
Taxation	20	(15,851)	977	(15,851)	977
<b>Net profit/(loss) for the year</b>		<b>65,372</b>	<b>1,314</b>	<b>66,135</b>	<b>(1,078)</b>
<b>Earnings/(loss) per share (sen)</b>					
Basic and diluted	21	32.7	0.7	33.1	(0.5)

The Income Statements of the Group and of the Company by funds are disclosed in Note 32.

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

**AmMetLife Insurance Berhad  
(Incorporated in Malaysia)**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2017**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit/(loss) for the year</b>	65,372	1,314	66,135	(1,078)
<b>Other comprehensive income/(loss):</b>				
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>				
Net change in Available-for-sale ("AFS") reserves:				
Net gains/(losses) arising during the year	135	1,546	(641)	3,953
Net realised gains/(losses) transferred to profit or loss	22	(795)	22	(795)
	157	751	(619)	3,158
Tax effects thereon	(38)	(190)	148	(804)
	119	561	(471)	2,354
<b>Total comprehensive income/(loss) for the year</b>	<b>65,491</b>	<b>1,875</b>	<b>65,664</b>	<b>1,276</b>

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

AmMetLife Insurance Berhad  
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017

Group	Share Capital RM'000	-----Non-Distributable-----			Distributable			Total Equity RM'000
		Available-for-sale Fair Value Reserves			Retained Earnings			
		Shareholders' Funds RM'000	Non- participating Funds RM'000	Group RM'000	Non- participating Funds RM'000	Shareholders' Funds RM'000	Group RM'000	
<b>At 1 April 2015</b>	200,000	1,463	(704)	(704)	95,400	159,526	256,876	456,172
Total comprehensive (loss)/income for the year	-	(48)	561	561	(1,473)	2,875	1,314	1,875
Executive share scheme	-	-	-	-	-	(71)	(71)	(71)
<b>At 31 March 2016</b>	200,000	1,415	(143)	(143)	93,927	162,330	258,119	457,976
<b>At 1 April 2016</b>	200,000	1,415	(143)	(143)	93,927	162,330	258,119	457,976
Total comprehensive income for the year	-	633	119	119	48,720	15,872	65,372	65,491
<b>At 31 March 2017</b>	200,000	2,048	(24)	(24)	142,647	178,202	323,491	523,467

AmMetLife Insurance Berhad  
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017

Company	Share Capital  RM'000	-----Non-Distributable-----			Distributable			Total Equity  RM'000
		Available-for-sale Fair Value Reserves			Retained Earnings			
		Shareholders' Funds RM'000	Non- participating Funds RM'000	Company RM'000	Non- participating Funds RM'000	Shareholders' Funds RM'000	Company RM'000	
<b>At 1 April 2015</b>	200,000	(1,279)	(704)	(3,446)	95,400	163,173	260,523	457,077
Total comprehensive income/(loss) for the year	-	1,745	561	2,354	(1,473)	483	(1,078)	1,276
Executive share scheme	-	-	-	-	-	(71)	(71)	(71)
<b>At 31 March 2016</b>	200,000	466	(143)	(1,092)	93,927	163,585	259,374	458,282
<b>At 1 April 2016</b>	200,000	466	(143)	(1,092)	93,927	163,585	259,374	458,282
Total comprehensive (loss)/income for the year	-	43	119	(471)	48,720	16,635	66,135	65,664
<b>At 31 March 2017</b>	200,000	509	(24)	(1,563)	142,647	180,220	325,509	523,946

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

**AmMetLife Insurance Berhad**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Operating activities</b>					
Cash used in operating activities	22	(155,067)	(156,285)	(191,217)	(147,536)
Interest received		138,334	130,955	120,951	117,791
Dividend received		4,794	7,824	21,116	21,876
Rental received		7,600	6,753	7,604	6,753
Tax refunded		-	-	-	-
Income tax paid		(3,515)	(10,394)	(3,515)	(10,394)
<b>Net cash flows from operating activities</b>		<b>(7,854)</b>	<b>(21,147)</b>	<b>(45,061)</b>	<b>(11,510)</b>
<b>Investing activities</b>					
Proceeds from disposal of property and equipment		1,338	234	1,338	234
Purchase of property and equipment	4	(1,274)	(15,118)	(1,274)	(15,118)
Purchase of intangible assets	6	(18,379)	(18,403)	(18,379)	(18,403)
<b>Net cash flows from investing activities</b>		<b>(18,315)</b>	<b>(33,287)</b>	<b>(18,315)</b>	<b>(33,287)</b>
<b>Financing activity</b>					
Employee share based payment transaction		-	(71)	-	(71)
<b>Net cash flows from financing activity</b>		<b>-</b>	<b>(71)</b>	<b>-</b>	<b>(71)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(26,169)</b>	<b>(54,505)</b>	<b>(63,376)</b>	<b>(44,868)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>281,521</b>	<b>336,026</b>	<b>279,182</b>	<b>324,050</b>
<b>Cash and cash equivalents at end of year</b>		<b>255,352</b>	<b>281,521</b>	<b>215,806</b>	<b>279,182</b>
<b>Cash and cash equivalents comprise:</b>					
Short term deposits	7(a)	218,504	192,521	178,958	190,182
Cash and bank balances		36,848	89,000	36,848	89,000
		<b>255,352</b>	<b>281,521</b>	<b>215,806</b>	<b>279,182</b>

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

**AmMetLife Insurance Berhad  
(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is at 24th Floor, Menara One Sentrum, No. 201 Jalan Tun Sambanthan, 50470 Kuala Lumpur.

The principal activity of the Company is the underwriting of life and investment-linked insurance businesses. The principal activity of the subsidiary is set out in Note 7(b) to the financial statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year. The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 June 2017.

The shareholders of the Company are AMAB Holdings Sdn Bhd ("AMAB"), a company incorporated in Malaysia which is also a wholly-owned subsidiary of AMMB Holdings Berhad, a public listed company incorporated in Malaysia and MetLife International Holdings LLC ("MetLife"), a wholly owned subsidiary of MetLife Inc., a public listed company incorporated in the United States of America.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, unless otherwise stated in the accounting policies below.

Income and expenses will not be offset in the income statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group and the Company.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency, and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Statements of compliance**

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

**2.3 Changes in accounting policies**

The accounting policies adopted by the Group and Company are consistent with those in the previous financial year, except for the adoption of the following amendments and annual improvements to MFRSs which became effective for the Group and Company on 1 April 2016, as follows:

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 116 and MFRS 138 *Classification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS141 *Agriculture: Bearer Plants*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
- Amendments to MFRS 101 *Disclosure Initiatives*

The adoption of the amendments and annual improvements to MFRSs during the year did not have any material impact on the financial performance or position of the Group and of the Company.

**2.4 Standards issued but not yet effective**

As at the date of authorisation of these financial statements, the following Standards, Amendments to Standards and improvements to published standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

**Effective for financial periods beginning on or after 1 January 2017**

- Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014-2016*
- Amendments to MFRS 107 *Disclosure Initiatives*
- Amendments to MFRS 112 *Recognition of Deferred Tax for Unrealised Losses*
- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards issued but not yet effective (cont'd.)**

**Effective for financial periods beginning on or after 1 January 2018**

- Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4: Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*
- Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 140 *Transfers of Investment property*
- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

**Effective for financial periods beginning on or after 1 January 2019**

- MFRS 16 *Leases*

**Deferred**

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

The management expects that the adoption of the above Standards, Amendments to MFRSs and improvements to published standards will have no material impact on the financial statements in the period of initial application except as described below:

**MFRS 9 Financial Instruments**

In July 2014, the MASB issued the final version of MFRS 9 *Financial Instruments* that replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards issued but not yet effective (cont'd.)**

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

**(a) Classification and measurement**

The Company expects to have mixed business models. The Company intends to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Company intends to hold debt securities either to collect contractual cash flows and to sell or to hold for trading, and this is accordingly measured either at fair value through other comprehensive income ("FVOCI") or at fair value through profit or loss ("FVTPL") respectively. The Company may make an election to measure its debt securities currently measured as AFS at FVTPL if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Company is currently assessing the impact arising from these changes.

For equity securities, the Company will continue to measure its currently held for trading equity securities at FVTPL. The Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. In addition, the Company currently measures its investments in unquoted securities whose fair value cannot be reliably measured at cost less impairment losses. Under MFRS 9, the Company will be required to measure such investments at fair value. Any difference between the previous carrying amount under MFRS 139 and the fair value would be recognised in the opening retained earnings when the Company applies MFRS 9. The Company is currently assessing the impact arising from this change.

**(b) Impairment**

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Group and Company will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and Company. MFRS 9 will change the Group's and Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards issued but not yet effective (cont'd.)**

**MFRS 9 Financial Instruments (cont'd.)**

**(c) Hedge Accounting**

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The Company does not expect a significant impact to the financial statements on applying the hedge accounting.

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the amendments to IFRS 4 as issued by the IASB.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

- (i) it has not previously applied any version of MFRS 9 before; and
- (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

The Company has opted to utilise the exemptions permitted under this Amendment and will fully adopt MFRS 9 effective on 1 January 2021.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.4 Standards issued but not yet effective (cont'd.)**

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

The Company is in the process of engaging consultants to perform initial assessment to assess the financial implications for adopting the new MFRS 9 and IFRS 17. This initial assessment scheduled to start in July 17 after the final IFRS 17 guidelines issued (expected in May 2017) and upon completion of financial year end audit. The initial assessment period is expected to be completed in 5 months time. Upon completion of initial assessment, the Company will lay out the master plan for MFRS 9 & IFRS 17 implementation.

**2.5 Basis of consolidation**

A subsidiary is consolidated from the date of acquisition or date of incorporation, being the date on which the Company obtains control and continues to be consolidated until the date that such control effectively ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) The contractual arrangement with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies**

**(a) Investment in subsidiary**

A subsidiary is an entity over which the Company has or is deemed to have control. Control is achieved when the criteria disclosed in Note 2.5 are met.

In the Company's separate financial statements, investment in a subsidiary, which relates to investment in a collective investment scheme, is carried at fair value.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in the income statements.

**(b) Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group and the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.6(k).

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. The annual depreciation rates for the various classes of property and equipment are as follows:

Buildings-owner occupied properties	2%
Motor vehicles	20%
Office and computer equipment	20%
Furniture and fittings	25%
Renovation	10 - 20%

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(b) Property and equipment (cont'd.)**

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statements when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, to ensure the amount, method and period of depreciation are consistent with the previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

**(c) Investment properties**

Investment properties are initially stated at cost including related and incidental expenditure incurred. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statements in the year in which they arise. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group and the Company hold it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(c) Investment properties (cont'd.)**

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Group and the Company account for the property in accordance with the policy under property, plant and equipment up to the date of the change in use.

**(d) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.6(l). Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statements in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statements in the expense category consistent with the function of the intangible assets.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. These software are amortised over their estimated useful lives of five years.

Software development cost is not amortised and is stated at cost, until such time when such software is completed and is ready for active use. Software development costs are tested for impairment annually and represent development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. During the period of which the asset is not yet in use, it is tested for impairment annually.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(d) Intangible assets (cont'd.)**

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statements when the asset is derecognised.

**(e) Financial instruments – initial recognition and subsequent measurement**

**Date of recognition**

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group and Company becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

**Initial measurement of financial instruments**

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, or loans and receivables, as appropriate. Financial liabilities of the Group and Company are classified as financial liabilities at fair value through profit or loss or at amortised cost, as appropriate.

The classification of financial instruments at initial recognition depends on the purpose and the management’s intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

**Subsequent measurement**

The subsequent measurement of financial instruments depends on their classification as described below:

**(i) Financial assets and financial liabilities at fair value through profit or loss: held-for-trading**

Financial assets and financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in “Fair value gains and losses”. Interest and dividend income or expense are recorded in “Investment income” or “Interest expense”, as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(e) Financial instruments - initial recognition and subsequent measurement (cont'd.)**

**Subsequent measurement (cont'd.)**

**(ii) Financial assets and financial liabilities designated at fair value through profit or loss: fair value option**

Financial assets and financial liabilities classified in this category are those that have been designated by management as at fair value through profit or loss on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and the designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the statements of financial position at fair value. Changes in fair value are recognised in "Fair value gains and losses". Interest and dividend income or expense are recorded in "Investment income" or "Interest income" or "Interest expense", as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(e) Financial instruments - initial recognition and subsequent measurement (cont'd.)**

**Subsequent measurement (cont'd.)**

**(iii) Available-for-sale ("AFS") financial assets**

AFS financial assets include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, financial investments available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised through other comprehensive income in the "Available-for-sale fair value reserve" until the investment is derecognised, at which time the cumulative gains or losses recognised in the income statements, are reclassified from "Available-for-sale fair value reserve" to the income statements.

The Group and the Company evaluate whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group and the Company are unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group and Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group and Company have the intent and ability to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that had been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, any gain or loss that had been previously recorded in equity is reclassified to the income statements.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(e) Financial instruments - initial recognition and subsequent measurement (cont'd.)**

**Subsequent measurement (cont'd.)**

**(v) Loans and receivables**

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Amortisation or accretion arising from the EIR method is included in "Interest income" in the income statements. The losses arising from impairment are recognised in the income statements.

**(f) Financial liabilities at amortised cost**

Financial liabilities issued by the Group and the Company, that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group and the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, the financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

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## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

### **2.6 Summary of significant accounting policies (cont'd.)**

#### **(g) Reclassification of financial assets**

The Group and Company may reclassify a non-derivative trading asset out of the "Held-for-trading" category and "Available-for-sale" category under rare circumstances and into the "Loans and receivables" category if it meets the definition of loans and receivables and the Group and Company have the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

If a financial asset is reclassified, and if the Group and Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the "Available-for-sale" category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statements.

Reclassification, where permitted, is at the election of management, and is determined on an instrument by instrument basis. The Group and Company do not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

#### **(h) Derecognition of financial assets and financial liabilities**

##### **(i) Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset has expired;
- the Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- the Group and the Company have transferred substantially all the risks and rewards of the asset; or

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(h) Derecognition of financial assets and financial liabilities (cont'd.)**

**(i) Financial assets (cont'd.)**

- the Group and Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and Company have retained.

**(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

**(i) Fair Value Measurement**

The Group and the Company measure certain financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(i) Fair Value Measurement (cont'd.)**

The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which all inputs that are significant to the fair value measurement are directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and Company determine whether transfers have occurred between levels in the hierarchy 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 date.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(i) Fair Value Measurement (cont'd.)**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, option pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset and liability and the level of the fair value hierarchy as explained above.

**(j) Impairment of financial assets**

The Group and Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(j) Impairment of financial assets (cont'd.)**

**(i) Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group and the Company first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Investment income". Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statements to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(j) Impairment of financial assets (cont'd.)**

**(ii) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position.

**(k) Impairment of non-financial assets**

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statements.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(l) Intangible assets - impairment**

Intangible assets with finite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

**(m) Equity instruments**

**Ordinary share capital**

Ordinary shares issued by the Company are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

**Dividends on ordinary share capital**

Dividends on ordinary shares are recognised and accounted for in the statements of changes in equity in the period in which they are declared.

**(n) Product classification**

The Group and Company issue contracts that transfer insurance risks or financial risks or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group and the Company (the insurer) have accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group and the Company determine whether it has significant insurance risks, by comparing benefits paid with benefits payable if the insured event did not occur.

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(n) Product classification (cont'd.)**

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Group and Company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed to the policyholders and the shareholders respectively. The Group and the Company have the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(n) Product classification (cont'd.)**

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivatives is itself an insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When an insurance contract contains both a financial risk (or deposit) component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying components are required to be unbundled unless all obligations and rights arising from the deposit component have already been accounted for. Any premium relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

For the purpose of product classification under MFRS 4, the Group and the Company adopt maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group and Company define insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force.

**(o) Reinsurance**

The Group and the Company cede insurance risks in the normal course of business for all of its businesses. Reinsurance assets represent amount recoverable from reinsurance companies which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group and the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(o) Reinsurance (cont'd.)**

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group and the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group and the Company will receive from the reinsurer. The impairment loss is recorded in the income statements.

The Group and the Company also assumes reinsurance risk in the normal course of business for life insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent amount payable to reinsurance companies which have yet settled at the reporting date. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

**(p) Life insurance underwriting results**

The surplus transferable from the life fund to the income statements is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders.

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(p) Life insurance underwriting results (cont'd.)**

**Gross premiums**

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First year premium is recognised from the inception date and subsequent premiums are recognised when due. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in profit and loss and are reported as outstanding premiums in the statements of financial position.

**Reinsurance premiums**

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

**Creation of units**

Net creation of units which represents premium paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract are reflected in the income statements of the investment linked funds. Net creation of units is recognised on a receipt basis.

**Benefits, claims and expenses**

Benefits and claims that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified. Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on participating policy upon its declaration.

**Commission and agency expenses**

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of cession of premiums to reinsurers, are charged to the income statements in the period in which they are incurred.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(q) Insurance receivables**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Group and the Company reduce the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statements. The Group and the Company gather the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.6(j).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.6(h), have been met.

**(r) Life insurance contract liabilities**

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies, and the non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(r) Life insurance contract liabilities (cont'd.)**

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zeroisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group and the Company.

Adjustments to the liabilities at each reporting date are recorded in the income statements. Profits originating from margins of adverse deviations on run-off contracts are recognised in the income statements over the life of the contract, whereas losses are fully recognised in the income statements during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of the present value of in-force business ("PVIF") by using an existing liability adequacy test. Any deficiency is charged to the income statements.

The valuation of insurance contract liabilities is determined according to BNM's RBC Framework for Insurers and MFRS 4 *Insurance Contracts*. The valuation of insurance contract liabilities based on the RBC Framework for Insurers issued by BNM meets the requirements of a Liability Adequacy Test under MFRS 4.

**(s) Other revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(s) Other revenue recognition (cont'd.)**

**Rental income**

Rental income from investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

**Realised gains and losses on investments**

Gains or losses arising on disposal of investments are credited or charged to the income statements. Gains and losses are calculated as the difference between net sales proceeds and the original for amortised cost and are recorded on occurrence of the sale transaction.

**Dividend income**

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established.

**Fee income**

Insurance contract policyholders are charged for policy administration services, investment management services, surrender and other contract fees. These fees are recognised as revenue in the period in which the related services are performed.

**(t) Income taxes**

**(i) Current tax**

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the Group and the Company operate and generate taxable income.

Current income tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(t) Income taxes (cont'd.)**

**(ii) Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(t) Income taxes (cont'd.)**

**(ii) Deferred tax (cont'd.)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(u) Provisions**

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(v) Employee benefits**

**Short-term benefits**

Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**Defined contribution pension plan**

As required by law, companies within the Group and Company make contributions to the Employees Provident Fund in Malaysia. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

**Share-based compensation**

AMMB, the holding company of one of the Company's shareholders, operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors and employees of the AMMB Group based on certain financial and performance criteria and such conditions as it may deem fit. Prior to the share sale agreement with MetLife, when AMMB was still the ultimate holding company, eligible directors and employees of the Company were also granted the abovementioned share-based compensation.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the ultimate holding company's best estimate of the number of equity instruments that will ultimately vest. The income statements expense or credit for a period is recorded in "Personnel costs" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(w) Foreign currencies transactions**

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Group and the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are recognised in the income statements.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on changes in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

**(x) Insurance payables**

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

**(y) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

**AmMetLife Insurance Berhad  
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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(y) Leases (cont'd.)**

**Company as lessee**

Finance leases, that transfer to the Group and the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reductions of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in "Interest expense" in the income statements.

Capitalised leased assets are depreciated over the useful life of the assets. However, if there is no reasonable certainty that the Group and Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statements on a straight-line basis over the lease term. The aggregate benefits or incentives provided by the lessor are recognised as a reduction of rental expenses over the lease term on a straight line basis.

**Company as lessor**

Leases where the Group and Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**(z) Other financial liabilities**

Other liabilities and payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in profit or loss.

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.6 Summary of significant accounting policies (cont'd.)**

**(aa) Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash in hand and at banks, and short term deposits with original maturity periods of three months or less, which have an insignificant risk of changes in value and are readily convertible to a known amount.

The statements of cash flows have been prepared using the indirect method.

**3.1 Key sources of estimation uncertainty and assumptions**

In the process of applying the Group's and the Company's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgement and estimates are as follow:

**(a) Valuation of life insurance contract liabilities**

The liability for life insurance contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a Liability Adequacy Test ("LAT"), which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group and Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Group's and Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

**3.1 Key sources of estimation uncertainty and assumptions (cont'd.)**

**(a) Valuation of life insurance contract liabilities (cont'd.)**

The valuation of insurance contract liabilities is determined according to BNM's RBC Framework for Insurers and MFRS 4 (Insurance Contracts). The RBC Framework for Insurers issued by BNM meets the requirement of Liability Adequacy Test under MFRS 4.

According to this framework, valuation of non-participating life insurance liabilities, participating life insurance liabilities on guaranteed benefits only, and the non-unit investment-linked liabilities with the prescribed valuation bases aim to secure an overall level of sufficiency of policy reserves at the 75% confidence level. To secure this level of adequacy, the Group and Company are required to calculate the best estimate value of their insurance liabilities and apply a "Provision of Risk Margin for Adverse Deviation" (PRAD).

Estimates are also made for future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate. Lapse and surrender rates are based on the Group's and Company's historical experience of lapses and surrenders.

The discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by Malaysian Government Securities ("MGS"). In the case of the total benefit liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the Life Fund.

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONT'D.)**

**3.1 Key sources of estimation uncertainty and assumptions (cont'd.)**

**(a) Valuation of life insurance contract liabilities (cont'd.)**

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method.

The liability is determined as the sum of the present value of future guarantees and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rates. The liability is based on the best estimate assumptions and with due regard to significant recent experiences. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zero-isation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group and Company.

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**4. PROPERTY AND EQUIPMENT**

<b>Group and Company</b>	<b>Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Office equipment RM'000</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and renovation RM'000</b>	<b>Total RM'000</b>
<b>2017</b>						
<b>Cost</b>						
At 1 April 2016	30,741	625	3,789	29,023	36,870	101,048
Additions	-	-	89	602	583	1,274
Disposals	-	-	(18)	(3,297)	(1,071)	(4,386)
Reclass from intangible assets (Note 6)	-	-	-	396	-	396
At 31 March 2017	<u>30,741</u>	<u>625</u>	<u>3,860</u>	<u>26,724</u>	<u>36,382</u>	<u>98,332</u>
<b>Accumulated depreciation</b>						
At 1 April 2016	7,803	280	3,505	21,028	21,957	54,573
Charge for the year	615	99	124	2,023	3,174	6,035
Disposals	-	-	(18)	(3,295)	(57)	(3,370)
At 31 March 2017	<u>8,418</u>	<u>379</u>	<u>3,611</u>	<u>19,756</u>	<u>25,074</u>	<u>57,238</u>
<b>Net carrying amount</b>						
At 31 March 2017	<u>22,323</u>	<u>246</u>	<u>249</u>	<u>6,968</u>	<u>11,308</u>	<u>41,094</u>

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**4. PROPERTY AND EQUIPMENT (CONT'D.)**

<b>Group and Company</b>	<b>Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Office equipment RM'000</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and renovation RM'000</b>	<b>Total RM'000</b>
<b>2016</b>						
<b>Cost</b>						
At 1 April 2015	31,172	1,091	3,874	21,631	25,912	83,680
Additions	-	-	78	3,233	11,807	15,118
Disposals	-	(466)	(2)	(216)	-	(684)
Reclass from intangible assets (Note 6)	-	-	-	4,375	-	4,375
Write-off	-	-	(161)	-	(849)	(1,010)
Impairment	(431)	-	-	-	-	(431)
At 31 March 2016	<u>30,741</u>	<u>625</u>	<u>3,789</u>	<u>29,023</u>	<u>36,870</u>	<u>101,048</u>
<b>Accumulated depreciation</b>						
At 1 April 2015	7,180	438	3,515	19,968	19,337	50,438
Charge for the year	623	130	147	1,275	3,447	5,622
Disposals	-	(288)	(2)	(215)	-	(505)
Reclassification	-	-	(4)	-	4	-
Write-off	-	-	(151)	-	(831)	(982)
At 31 March 2016	<u>7,803</u>	<u>280</u>	<u>3,505</u>	<u>21,028</u>	<u>21,957</u>	<u>54,573</u>
<b>Net carrying amount</b>						
At 31 March 2016	<u>22,938</u>	<u>345</u>	<u>284</u>	<u>7,995</u>	<u>14,913</u>	<u>46,475</u>

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**4. PROPERTY AND EQUIPMENT (CONT'D.)**

Included in property and equipment of the Group and of the Company are the costs of fully depreciated assets which are still in use as follows:

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Motor vehicles	134	128
Office equipment	3,367	3,109
Computer equipment	16,642	18,889
Furniture, fittings and renovation	18,340	14,858
	<u>38,483</u>	<u>36,984</u>

**5. INVESTMENT PROPERTIES**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of year	88,353	84,345
Fair value gains (Note 18)	910	4,008
At end of year	<u>89,263</u>	<u>88,353</u>

Investment properties consist of the following:

Leasehold land and buildings	29,790	29,240
Freehold land and buildings	59,473	59,113
	<u>89,263</u>	<u>88,353</u>

Included in investment properties of the Life Fund are land and building with a total fair value amounting to RM12,060,000 (2016: RM12,060,000) for which the title deeds were still in the process of being transferred to the Company at the end of the financial year.

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**5. INVESTMENT PROPERTIES (CONT'D.)**

Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer. The independent valuer is a specialist in valuing these types of investment properties. The valuation model is in accordance with that recommended by the International Valuation Standards Council and Malaysian Valuation Standards and meets the requirements of MFRS 13: *Fair Value Measurement*. The valuations were based on the Market Approach method which makes reference to comparable properties which have been sold or are being offered for sale.

The Market Approach method entails comparisons of the subject property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial interest and restrictions (if any), occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

The Group has determined that the highest and best use of the properties is its current use.

The fair value gains are recorded in the income statements and are disclosed in Note 18. Fair value hierarchy disclosures for investment properties have been provided in Note 28(4)(a).

The amount of rental income and expenses recorded in profit or loss are as follows:

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income derived from investment properties (Note 16)	7,252	7,394
Direct operating expenses (including repairs and maintenance) incurred in generating rental income	<u>(4,014)</u>	<u>(4,376)</u>
Profit arising from investment properties	<u>3,238</u>	<u>3,018</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

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**5. INVESTMENT PROPERTIES (CONT'D.)**

**Reconciliation of Investment Properties Fair Value Movement**

	<b>Leasehold land and building RM'000</b>	<b>Freehold land and building RM'000</b>	<b>Total RM'000</b>
At 1 April 2015	23,990	60,355	84,345
Fair value gains/(losses)	5,250	(1,242)	4,008
At 31 March 2016	<u>29,240</u>	<u>59,113</u>	<u>88,353</u>
Fair value gains	550	360	910
At 31 March 2017	<u><u>29,790</u></u>	<u><u>59,473</u></u>	<u><u>89,263</u></u>

**6. INTANGIBLE ASSETS**

<b>Group and Company</b>	<b>Development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>2017</b>			
<b>Cost</b>			
At 1 April 2016	11,111	67,339	78,450
Additions	18,096	283	18,379
Reclass to property and equipment (Note 4)	(396)	-	(396)
Reclassification	(341)	341	-
Disposal	-	(1)	(1)
Write-off	(224)	(242)	(466)
At 31 March 2017	<u>28,246</u>	<u>67,720</u>	<u>95,966</u>
<b>Accumulated amortisation</b>			
At 1 April 2016	-	49,837	49,837
Charge for the year	-	11,138	11,138
Write-off	-	(210)	(210)
At 31 March 2017	<u>-</u>	<u>60,765</u>	<u>60,765</u>
<b>Net carrying amount</b>			
At 31 March 2017	<u><u>28,246</u></u>	<u><u>6,955</u></u>	<u><u>35,201</u></u>

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**6. INTANGIBLE ASSETS (CONT'D.)**

<b>Group and Company</b>	<b>Development costs RM'000</b>	<b>Software RM'000</b>	<b>Total RM'000</b>
<b>2016</b>			
<b>Cost</b>			
At 1 April 2015	2,792	61,630	64,422
Additions	16,979	1,424	18,403
Reclass to property, plant and equipment	(4,375)	-	(4,375)
Reclassification	(4,285)	4,285	-
At 31 March 2016	<u>11,111</u>	<u>67,339</u>	<u>78,450</u>
<b>Accumulated amortisation</b>			
At 1 April 2015	-	34,918	34,918
Charge for the year	-	14,919	14,919
At 31 March 2016	<u>-</u>	<u>49,837</u>	<u>49,837</u>
<b>Net carrying amount</b>			
At 31 March 2016	<u>11,111</u>	<u>17,502</u>	<u>28,613</u>

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**7. INVESTMENTS**

Group	2017				2016			
	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000
Malaysian government securities	-	157,049	-	157,049	-	-	-	-
Corporate bonds	309,098	1,820,246	18,066	2,147,410	336,707	1,709,450	16,368	2,062,525
Equity securities	-	36,699	61,310	98,009	-	113,661	51,853	165,514
Unit and property trust funds	-	11,001	13,833	24,834	-	11,782	12,630	24,412
Negotiable instruments of deposit	-	-	-	-	-	50,054	-	50,054
Loans	-	195,809	-	195,809	-	199,664	-	199,664
Deposits with licensed banks	65,618	152,680	206	218,504	20,376	271,999	146	292,521
Seed capital in Investment-linked funds	8,978	-	-	-	8,362	-	-	-
	<b>383,694</b>	<b>2,373,484</b>	<b>93,415</b>	<b>2,841,615</b>	<b>365,445</b>	<b>2,356,610</b>	<b>80,997</b>	<b>2,794,690</b>
Loans and receivables ("LAR")	65,618	348,489	206	414,313	20,376	471,663	146	492,185
Available-for-sale financial assets ("AFS")	8,978	965,154	-	965,154	8,362	879,208	-	879,208
Fair value through profit or loss ("FVTPL")	309,098	1,059,841	93,209	1,462,148	336,707	1,005,739	80,851	1,423,297
	<b>383,694</b>	<b>2,373,484</b>	<b>93,415</b>	<b>2,841,615</b>	<b>365,445</b>	<b>2,356,610</b>	<b>80,997</b>	<b>2,794,690</b>

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## 7. INVESTMENTS (CONT'D.)

Company	2017				2016			
	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Company RM'000	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Company RM'000
Malaysian government securities	-	157,049	-	157,049	-	-	-	-
Corporate bonds	-	1,820,246	18,066	1,838,312	-	1,709,450	16,368	1,725,818
Equity securities	-	36,699	61,310	98,009	-	113,661	51,853	165,514
Unit and property trust funds	-	11,001	13,833	24,834	-	11,782	12,630	24,412
Investment in subsidiary - Wholesale unit trust fund (Note 7(b))	351,063	-	-	351,063	344,247	-	-	344,247
Negotiable instruments of deposit	-	-	-	-	-	50,054	-	50,054
Loans	-	195,809	-	195,809	-	199,664	-	199,664
Deposits with licensed banks	26,072	152,680	206	178,958	18,037	271,999	146	290,182
Seed capital in Investment-linked funds	8,978	-	-	-	8,362	-	-	-
	<u>386,113</u>	<u>2,373,484</u>	<u>93,415</u>	<u>2,844,034</u>	<u>370,646</u>	<u>2,356,610</u>	<u>80,997</u>	<u>2,799,891</u>
Loans and receivables ("LAR")	26,072	348,489	206	374,767	18,037	471,663	146	489,846
Available-for-sale financial assets ("AFS")	360,041	965,154	-	1,316,217	352,609	879,208	-	1,223,455
Fair value through profit or loss ("FVTPL")	-	1,059,841	93,209	1,153,050	-	1,005,739	80,851	1,086,590
	<u>386,113</u>	<u>2,373,484</u>	<u>93,415</u>	<u>2,844,034</u>	<u>370,646</u>	<u>2,356,610</u>	<u>80,997</u>	<u>2,799,891</u>

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**7. INVESTMENTS (CONT'D.)**

**(a) LAR**

Group	2017				2016			
	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000
<b>At amortised cost:</b>								
Deposits with licensed banks	65,618	152,680	206	218,504	20,376	271,999	146	292,521
Loans	-	195,809	-	195,809	-	199,664	-	199,664
Malaysian government guaranteed loans	-	101,422	-	101,422	-	101,435	-	101,435
Policy loans	-	93,649	-	93,649	-	97,347	-	97,347
Mortgage loans	-	721	-	721	-	835	-	835
Vehicle loans	-	17	-	17	-	47	-	47
	<b>65,618</b>	<b>348,489</b>	<b>206</b>	<b>414,313</b>	<b>20,376</b>	<b>471,663</b>	<b>146</b>	<b>492,185</b>

The carrying values of the LAR are reasonable approximations of fair value due to the insignificant impact of discounting.

Included in deposits with licensed banks are short term deposits with original maturity periods of less than 3 months amounting to RM218,504,000 (2016: RM192,521,000) which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

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**7. INVESTMENTS (CONT'D.)**

**(a) LAR (CONT'D.)**

Company	2017				2016			
	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Company RM'000	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Company RM'000
<b>At amortised cost:</b>								
Deposits with licensed banks	26,072	152,680	206	178,958	18,037	271,999	146	290,182
Loans	-	195,809	-	195,809	-	199,664	-	199,664
Malaysian government guaranteed loans	-	101,422	-	101,422	-	101,435	-	101,435
Policy loans	-	93,649	-	93,649	-	97,347	-	97,347
Mortgage loans	-	721	-	721	-	835	-	835
Vehicle loans	-	17	-	17	-	47	-	47
	<b>26,072</b>	<b>348,489</b>	<b>206</b>	<b>374,767</b>	<b>18,037</b>	<b>471,663</b>	<b>146</b>	<b>489,846</b>

The carrying values of the LAR are reasonable approximations of fair value due to the insignificant impact of discounting.

Included in deposits with licensed banks are short term deposits with original maturity periods of less than 3 months amounting to RM178,958,000 (2016: RM190,182,000) which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

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## 7. INVESTMENTS (CONT'D.)

## (b) AFS

Group	2017				2016			
	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000
<b>At fair value:</b>								
Equity securities:								
Quoted in Malaysia	-	34,552	-	34,552	-	111,513	-	111,513
Unquoted in Malaysia	-	2,147	-	2,147	-	2,147	-	2,147
Malaysian government securities	-	68,935	-	68,935	-	-	-	-
Unquoted corporate bonds								
in Malaysia	-	848,519	-	848,519	-	703,712	-	703,712
Quoted unit and property trust funds								
in Malaysia	-	11,001	-	11,001	-	11,782	-	11,782
Negotiable instruments of deposit	-	-	-	-	-	50,054	-	50,054
Seed capital in Investment-linked funds	8,978	-	-	-	8,362	-	-	-
	<u>8,978</u>	<u>965,154</u>	<u>-</u>	<u>965,154</u>	<u>8,362</u>	<u>879,208</u>	<u>-</u>	<u>879,208</u>

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## 7. INVESTMENTS (CONT'D.)

## (b) AFS (cont'd.)

Company	2017				2016			
	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Company RM'000	Shareholders' Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Company RM'000
<b>At fair value:</b>								
Equity securities:								
Quoted in Malaysia	-	34,552	-	34,552	-	111,513	-	111,513
Unquoted in Malaysia	-	2,147	-	2,147	-	2,147	-	2,147
Malaysian government securities	-	68,935	-	68,935	-	-	-	-
Unquoted corporate bonds in Malaysia	-	848,519	-	848,519	-	703,712	-	703,712
Quoted unit and property trust funds in Malaysia	-	11,001	-	11,001	-	11,782	-	11,782
Investment in subsidiary - Wholesale unit trust fund	351,063	-	-	351,063	344,247	-	-	344,247
Negotiable instruments of deposit	-	-	-	-	-	50,054	-	50,054
Seed capital in Investment-linked funds	8,978	-	-	-	8,362	-	-	-
	<u>360,041</u>	<u>965,154</u>	<u>-</u>	<u>1,316,217</u>	<u>352,609</u>	<u>879,208</u>	<u>-</u>	<u>1,223,455</u>

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**7. INVESTMENTS (CONT'D.)**

**(b) AFS (cont'd.)**

**Investment in subsidiary - Wholesale unit trust fund:**

In July 2013, the Company invested RM300 million in a collective investment scheme in Malaysia, namely AmIncome Institutional 5 ("the Fund"). The Fund's investment strategy is to invest 40% to 100% of its Net Asset Value ("NAV") in fixed income securities and up to 60% of its NAV in money market instruments. As at 31 March 2017, the investments of the Fund are mainly in fixed income instruments.

The Fund Manager invests in a portfolio of assets which is adequately suited to potentially achieve the expected return objective of the Fund, while at the same time minimising the risk of portfolio of assets through careful asset allocation or security selection and diversification. The Fund manager invests into permitted investments and adhere to the investment limits set for the Fund under the Trust Deed.

The Company has determined that it has control over the Fund, based on the following rationale:

By virtue of clause 17.1.2 of the Master Deed signed between Deutsche Trustees Malaysia Berhad ("the Trustee") and AmInvestment Management Sdn. Bhd. ("the Fund Manager"), the Unitholders of the Fund may apply to the Fund Manager to summon a meeting for any purpose, without limitation, for the purpose of requiring the retirement or removal of the Fund Manager. As at 31 March 2017, all units in the Fund are held by the Company (2016: 100%).

Being the sole holder of the units in the Fund, the Company is entitled to all the distributions by the Fund, when the Fund Manager declares the distributions. The distributions of the Fund is based on performance and market value i.e. Net Asset Value ("NAV") of the Fund.

The Company has determined that it is able to exert its power in order to influence returns from its investment in the Fund by virtue of the abovementioned clause 17.1.2 and, accordingly, the Fund is subsidiary of the Company.

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## 7. INVESTMENTS (CONT'D.)

## (c) FVTPL - Held for trading purposes

Group	2017				2016			
	Shareholders'		Unit-linked RM'000	Group RM'000	Shareholders'		Unit-linked RM'000	Group RM'000
Fund RM'000	Life Fund RM'000	Fund RM'000			Life Fund RM'000			
<b>At fair value:</b>								
Quoted equity securities in Malaysia	-	-	61,310	61,310	-	-	51,853	51,853
Malaysian government securities	-	88,114	-	88,114	-	-	-	-
Unquoted corporate bonds in Malaysia	309,098	971,727	18,066	1,298,891	336,707	1,005,739	16,368	1,358,814
Unit and property trust funds:								
Quoted in Malaysia	-	-	787	787	-	-	-	-
Unquoted in Malaysia	-	-	13,046	13,046	-	-	12,630	12,630
	<u>309,098</u>	<u>1,059,841</u>	<u>93,209</u>	<u>1,462,148</u>	<u>336,707</u>	<u>1,005,739</u>	<u>80,851</u>	<u>1,423,297</u>

Company	2017				2016			
	Shareholders'		Unit-linked RM'000	Company RM'000	Shareholders'		Unit-linked RM'000	Company RM'000
Fund RM'000	Life Fund RM'000	Fund RM'000			Life Fund RM'000			
<b>At fair value:</b>								
Quoted equity securities in Malaysia	-	-	61,310	61,310	-	-	51,853	51,853
Malaysian government securities	-	88,114	-	88,114	-	-	-	-
Unquoted corporate bonds in Malaysia	-	971,727	18,066	989,793	-	1,005,739	16,368	1,022,107
Unit and property trust funds:								
Quoted in Malaysia	-	-	787	787	-	-	-	-
Unquoted in Malaysia	-	-	13,046	13,046	-	-	12,630	12,630
	<u>-</u>	<u>1,059,841</u>	<u>93,209</u>	<u>1,153,050</u>	<u>-</u>	<u>1,005,739</u>	<u>80,851</u>	<u>1,086,590</u>

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**8. REINSURANCE ASSETS**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Reinsurance of insurance contracts (Note 12)	<u>10,061</u>	<u>15,157</u>

This relates to reinsurers' share of insurance contract liabilities.

**9. INSURANCE RECEIVABLES**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Due from reinsurers and cedents	28,444	24,613
Due premiums including agents/brokers and co-insurers balances	100,310	94,559
Allowance for impairment	<u>(37,516)</u>	<u>(38,712)</u>
	<u>91,238</u>	<u>80,460</u>

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

Details of movement in the allowance for impairment account has been disclosed in Note 28(1).

**10. OTHER RECEIVABLES**

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Income due and accrued	26,922	28,725
Other receivables, deposits and prepayments	19,788	16,064
Tax recoverable	6,797	9,086
Amount due from related companies	<u>3,647</u>	<u>3,732</u>
	<u>57,154</u>	<u>57,607</u>

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**10. OTHER RECEIVABLES (CONT'D.)**

	2017 RM'000	2016 RM'000
<b>Company</b>		
Income due and accrued	24,454	25,587
Other receivables, deposits and prepayments	19,788	10,677
Tax recoverable	6,797	9,086
Amount due from related companies	3,647	3,732
	<u>54,686</u>	<u>49,082</u>

The carrying amounts (excluding non-financial assets) approximate fair values due to the relatively short-term maturity of these balances.

The amount due from related companies is unsecured, non-trade related, interest-free and is repayable on demand.

**11. SHARE CAPITAL**

	2017		2016	
	No. of Shares '000	Amount RM'000	No. of Shares '000	Amount RM'000
<b>Group and Company</b>				
<b>Authorised:</b>				
Ordinary shares:				
At beginning and end of the year	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
<b>Issued and paid-up:</b>				
Ordinary shares:				
At beginning and end of the year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

In line with Section 74 of the Companies Act 2016 ("the Act") which came into effect on 31 January 2017, the share capital of entities incorporated under the Act will no longer have a par or nominal value.

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**12. INSURANCE CONTRACT LIABILITIES**

	-----Group and Company-----						
	2017			2016			
	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000	
Actuarial liabilities	2,130,335	(3,747)	2,126,588	2,231,595	(6,716)	2,224,879	
Provision for outstanding claims	213,359	(6,314)	207,045	213,600	(8,441)	205,159	
Unallocated surplus/(deficit)	20,177	-	20,177	(10,985)	-	(10,985)	
Available-for-sale fair value reserve*	3,974	-	3,974	8,290	-	8,290	
Net asset value attributable to unitholders	95,460	-	95,460	91,766	-	91,766	
	<u>2,463,305</u>	<u>(10,061)</u>	<u>2,453,244</u>	<u>2,534,266</u>	<u>(15,157)</u>	<u>2,519,109</u>	
	With DPF RM'000	Gross Without DPF RM'000	Total RM'000	With DPF RM'000	Reinsurance Without DPF RM'000	Total RM'000	Net RM'000
<b>Group and Company</b>							
<b>At 1 April 2016</b>	1,028,585	1,505,681	2,534,266	(3,177)	(11,980)	(15,157)	2,519,109
Premiums received	97,107	294,230	391,337	(910)	(43,475)	(44,385)	346,952
Liabilities paid for death, maturities, surrenders, benefits and claims	(121,116)	(213,831)	(334,947)	1,070	30,310	31,380	(303,567)
Benefits and claims experience variation	(8,349)	(60,493)	(68,842)	-	14,938	14,938	(53,904)
Adjustments due to changes in assumptions:							
Mortality/morbidity/month lag/loss ratio	(1,328)	(15,890)	(17,218)	-	2,794	2,794	(14,424)
Expenses	(2,626)	(9,964)	(12,590)	-	-	-	(12,590)
Lapse and surrender rates	(4,006)	1,755	(2,251)	-	6	6	(2,245)
Asset share	(2,642)	-	(2,642)	-	-	-	(2,642)
Discount rate	(4,283)	(40,292)	(44,575)	-	363	363	(44,212)
Model enhancement	(5,808)	(3,967)	(9,775)	-	-	-	(9,775)
Other expenses	-	-	-	-	-	-	-
Net asset value refunded to unitholders	-	3,695	3,695	-	-	-	3,695
Surplus for the year	31,163	-	31,163	-	-	-	31,163
Fair value losses on AFS financial assets*	(4,493)	-	(4,493)	-	-	-	(4,493)
Deferred tax effects							
on changes in AFS reserves (Note 13)	177	-	177	-	-	-	177
<b>At 31 March 2017</b>	<u>1,002,381</u>	<u>1,460,924</u>	<u>2,463,305</u>	<u>(3,017)</u>	<u>(7,044)</u>	<u>(10,061)</u>	<u>2,453,244</u>

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## 12. INSURANCE CONTRACT LIABILITIES (CONT'D.)

Group and Company	Gross			Reinsurance		Total RM'000	Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000		
<b>At 1 April 2015</b>	1,000,932	1,512,553	2,513,485	(3,367)	(6,808)	(10,175)	2,503,310
Premiums received	169,050	268,660	437,710	(656)	(38,568)	(39,224)	398,486
Liabilities paid for death, maturities, surrenders, benefits and claims	(157,076)	(244,419)	(401,495)	846	34,963	35,809	(365,686)
Benefits and claims experience variation	5,013	(53,203)	(48,190)	-	(631)	(631)	(48,821)
Adjustments due to changes in assumptions:							
Mortality/morbidity/month lag/loss ratio	41	3,472	3,513	-	-	-	3,513
Expenses	15,178	5,349	20,527	-	-	-	20,527
Lapse and surrender rates	(9,316)	7,298	(2,018)	-	(723)	(723)	(2,741)
Asset share	2,128	-	2,128	-	-	-	2,128
Discount rate	1,033	(178)	855	-	6	6	861
Model enhancement	32,641	8,804	41,445	-	(481)	(481)	40,964
Other expenses	(2,004)	-	(2,004)	-	262	262	(1,742)
Net asset value refunded to unitholders	-	(2,655)	(2,655)	-	-	-	(2,655)
Deficit for the year	(29,595)	-	(29,595)	-	-	-	(29,595)
Fair value gains on AFS financial assets*	409	-	409	-	-	-	409
Deferred tax effects							
on changes in AFS reserves (Note 13)	151	-	151	-	-	-	151
<b>At 31 March 2016</b>	<b>1,028,585</b>	<b>1,505,681</b>	<b>2,534,266</b>	<b>(3,177)</b>	<b>(11,980)</b>	<b>(15,157)</b>	<b>2,519,109</b>

\* The Available-for-sale fair value reserve of the Participating fund is treated as part of insurance contract liabilities because it is held in respect of assets backing the insurance contract liabilities of the Participating fund.

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**13. DEFERRED TAXATION**

	2017 RM'000	2016 RM'000
<b>Group</b>		
<b>At beginning of year</b>	33,206	38,227
Recognised in:		
Income statements (Note 20):	16,325	(5,060)
Taxation of life insurance business	937	(4,595)
Taxation	15,388	(465)
Other comprehensive income	38	190
Insurance contract liabilities (Note 12)	(177)	(151)
<b>At end of year</b>	49,392	33,206
<b>Company</b>		
<b>At beginning of year</b>	32,906	37,313
Recognised in:		
Income statements (Note 20):	16,325	(5,060)
Taxation of life insurance business	937	(4,595)
Taxation	15,388	(465)
Other comprehensive income	(148)	804
Insurance contract liabilities (Note 12)	(177)	(151)
<b>At end of year</b>	48,906	32,906

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. Net deferred tax liabilities shown on the statements of financial position have been determined after considering appropriate offsetting as follows:

	2017 RM'000	2016 RM'000
<b>Group</b>		
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	49,392	33,206
<b>Company</b>		
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	48,906	32,906

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**13. DEFERRED TAXATION (CONT'D.)**

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

<b>Deferred tax assets</b>	<b>2016</b>
	<b>RM'000</b>
<b>Group and Company</b>	
<b>At beginning of year</b>	197
Recognised in the income statement	<u>(197)</u>
<b>At end of year</b>	<u>-</u>

**Deferred tax liabilities**

<b>Group</b>	<b>Accelerated capital allowances RM'000</b>	<b>AFS reserves RM'000</b>	<b>Investments RM'000</b>	<b>Unallocated Surplus of Non- Participating Funds RM'000</b>	<b>Total RM'000</b>
<b>2017</b>					
<b>At 1 April 2016</b>	1,128	922	1,941	29,662	33,206
Recognised in:					
Income statements:	1,233	-	(348)	15,385	16,325
Taxation of life insurance business Taxation	1,233 - -	- - -	(348) - -	- 15,385	937 15,388
Other comprehensive income	-	238	-	-	38
Insurance contract liabilities	-	(177)	-	-	(177)
<b>At 31 March 2017</b>	<u>2,361</u>	<u>983</u>	<u>1,593</u>	<u>45,047</u>	<u>49,392</u>

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**13. DEFERRED TAXATION (CONT'D.)**

**Deferred tax liabilities (cont'd.)**

Group	Accelerated capital allowances RM'000	AFS reserves RM'000	Investments RM'000	Unallocated Surplus of Non- Participating Funds RM'000	Total RM'000
<b>2016</b>					
<b>At 1 April 2015</b>	5,610	924	2,251	30,127	38,227
Recognised in:					
Income statements:	(4,482)	-	(310)	(465)	(5,060)
Taxation of life insurance business Taxation	(4,482)	-	(310)	-	(4,595)
Taxation	-	-	-	(465)	(465)
Other comprehensive income	-	149	-	-	190
Insurance contract liabilities	-	(151)	-	-	(151)
<b>At 31 March 2016</b>	<b>1,128</b>	<b>922</b>	<b>1,941</b>	<b>29,662</b>	<b>33,206</b>
<b>Company</b>					
<b>2017</b>					
<b>At 1 April 2016</b>	1,128	622	1,941	29,662	32,906
Recognised in:					
Income statements:	1,233	-	(348)	15,385	16,325
Taxation of life insurance business Taxation	1,233	-	(348)	-	937
Taxation	-	-	-	15,385	15,388
Other comprehensive income	-	52	-	-	(148)
Insurance contract liabilities	-	(177)	-	-	(177)
<b>At 31 March 2017</b>	<b>2,361</b>	<b>497</b>	<b>1,593</b>	<b>45,047</b>	<b>48,906</b>

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**13. DEFERRED TAXATION (CONT'D.)**

**Deferred tax liabilities (cont'd.)**

Company	Accelerated capital allowances RM'000	AFS reserves RM'000	Investments RM'000	Unallocated Surplus of Non- Participating Funds RM'000	Total RM'000
<b>2016</b>					
<b>At 1 April 2015</b>	5,610	10	2,251	30,127	37,313
Recognised in:					
Income statements:	(4,482)	-	(310)	(465)	(5,060)
Taxation of life insurance business Taxation	(4,482)	-	(310)	-	(4,595)
Other comprehensive income	-	763	-	-	804
Insurance contract liabilities	-	(151)	-	-	(151)
<b>At 31 March 2016</b>	<b>1,128</b>	<b>622</b>	<b>1,941</b>	<b>29,662</b>	<b>32,906</b>

**14. INSURANCE PAYABLES**

	Group and Company	
	2017 RM'000	2016 RM'000
Amount due to agents, brokers, co-insurers and insured	15,991	13,666
Amount due to reinsurers and cedents	36,707	25,677
	<u>52,698</u>	<u>39,343</u>

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

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**15. OTHER PAYABLES**

	2017 RM'000	2016 RM'000
<b>Group</b>		
Accruals	20,601	32,422
Advance premium	35,834	37,672
Premium deposits	10,390	11,107
Sundry payables	34,395	35,224
Deposits	2,539	2,174
Amount due to related companies	9,257	16,219
	<u>113,016</u>	<u>134,818</u>
<b>Company</b>		
Accruals	20,601	32,422
Advance premium	35,834	37,672
Premium deposits	10,390	11,107
Sundry payables	34,353	31,894
Deposits	2,539	2,174
Amount due to related companies	9,257	16,219
	<u>112,974</u>	<u>131,488</u>

The carrying amounts (excluding non-financial liabilities) approximate fair values due to the relatively short-term maturity of these balances.

The amount due to related companies is unsecured, interest free, trade and non-trade related and is repayable on demand.

Included in sundry payables above is a provision for agents' retirement benefits. The movement of this provision is as follows:

	<b>Group and Company</b>	
	2017 RM'000	2016 RM'000
At beginning of year	3,812	5,372
Net write-back during the year	(586)	(1,348)
Provision for the year	85	94
Overprovision in prior year	(671)	(1,442)
Withdrawal during the year	(576)	(390)
Contribution during the year	213	178
At end of year	<u>2,863</u>	<u>3,812</u>

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**16. INVESTMENT INCOME**

<b>Group</b>	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Rental income from investment properties	5	7,252	7,394
Financial assets at FVTPL - held for trading purposes:			
Dividend/distribution income			
- quoted equity securities in Malaysia		1,633	1,637
- unit and property trusts		1,100	133
Interest income			
- Malaysian government securities		1,200	-
- corporate bonds		65,966	67,144
AFS financial assets:			
Interest income			
- Malaysian government securities		1,005	-
- corporate bonds		36,891	36,144
Dividend/distribution income			
- quoted equity securities in Malaysia		1,156	3,885
- unquoted equity securities in Malaysia		194	194
- unit and property trusts		612	686
Interest income from LAR		31,916	31,394
		<u>148,925</u>	<u>148,611</u>
<b>Company</b>			
Rental income from investment properties	5	7,252	7,394
Financial assets at FVTPL - held for trading purposes:			
Dividend/distribution income			
- quoted equity securities in Malaysia		1,633	1,637
- unit and property trusts		1,100	133
Interest income			
- Malaysian government securities		1,200	-
- corporate bonds		50,369	52,026
AFS financial assets:			
Interest income			
- Malaysian government securities		1,005	-
- corporate bonds		36,891	36,144
Dividend/distribution income			
- quoted equity securities in Malaysia		1,156	3,885
- unquoted equity securities in Malaysia		194	194
- unit and property trusts		16,934	16,426
Interest income from LAR		30,803	30,948
		<u>148,537</u>	<u>148,787</u>

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**17. REALISED GAINS AND LOSSES**

<b>Group</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Financial assets at FVTPL - held for trading purposes:		
- quoted equity securities in Malaysia	9	1,526
- unit and property trusts	(13)	96
- negotiable instruments of deposit	-	331
- corporate bonds	(1,295)	544
AFS financial assets:		
- quoted equity securities in Malaysia	(4,099)	(603)
- unit trust and property trusts	136	35
Property and equipment	(264)	(27)
	<u>(5,526)</u>	<u>1,902</u>

**Company**

Financial assets at FVTPL - held for trading purposes:		
- quoted equity securities in Malaysia	9	1,526
- unit and property trusts	(13)	96
- negotiable instruments of deposit	-	331
- corporate bonds	4	2
AFS financial assets:		
- quoted equity securities in Malaysia	(4,099)	(603)
- unit trust and property trusts	114	35
Property and equipment	(264)	(27)
	<u>(4,249)</u>	<u>1,360</u>

**18. FAIR VALUE LOSSES**

<b>Group</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Financial assets at FVTPL - held for trading purposes:		
- quoted equity securities in Malaysia	2,813	(1,891)
- unit and property trusts	713	(300)
- negotiable instruments of deposits	-	(220)
- Malaysian government securities	700	-
- corporate bonds	(7,994)	(516)
	<u>(3,768)</u>	<u>(2,927)</u>

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**18. FAIR VALUE LOSSES (CONT'D.)**

<b>Group (cont'd.)</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Fair value gains on investment properties (Note 5)	910	4,008
Fair value (losses)/gains (Note 22)	(2,858)	1,081
Impairment losses/(reversal of impairment losses) on:	(2,684)	(10,404)
- unit and property trusts	(2,684)	-
- unquoted unsecured bonds	-	702
- quoted equities	-	(10,679)
- self-occupied properties	-	(427)
	<u>(5,542)</u>	<u>(9,323)</u>
 <b>Company</b>		
Financial assets at FVTPL - held for trading purposes:		
- quoted equity securities in Malaysia	2,813	(1,891)
- unit and property trusts	713	(300)
- negotiable instruments of deposits	-	(220)
- Malaysian government securities	700	
- corporate bonds	(8,504)	(2,909)
	<u>(4,278)</u>	<u>(5,320)</u>
Fair value gains on investment properties (Note 5)	910	4,008
Fair value losses (Note 22)	(3,368)	(1,312)
Impairment losses/(reversal of impairment losses) on:	(2,684)	(10,404)
- unit and property trusts	(2,684)	-
- unquoted unsecured bonds	-	702
- quoted equities	-	(10,679)
- self-occupied properties	-	(427)
	<u>(6,052)</u>	<u>(11,716)</u>

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**19. MANAGEMENT EXPENSES**

<b>Group</b>	<b>Note</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Employee benefits expense	19(a)	57,565	61,413
Directors' remuneration	19(b)	1,162	1,187
CEO's remuneration including benefits-in-kind	19(b)	2,664	2,720
Auditors' remuneration:			
- audit fees		314	302
- regulatory related fees		113	109
Depreciation of property and equipment	4	6,035	5,622
Amortisation of intangible assets	6	11,138	14,919
(Reversal of)/allowance for impairment on insurance receivables		(1,196)	2,323
Allowance for impairment on loans and receivables		1,543	1,272
Rental of office from third parties		6,208	4,000
Rental of office from other related companies	25(a)	201	295
Establishment cost		1,575	9,343
Marketing expenses		13,696	10,551
Communication expenses		705	702
Goods and Services Tax ("GST")		3,106	1,758
Policy processing expenses and others		1,561	2,475
Administration and general expenses		24,460	28,600
		<u>130,850</u>	<u>147,591</u>
<b>Company</b>			
Employee benefits expense	19(a)	57,565	61,413
Directors' remuneration	19(b)	1,162	1,187
CEO's remuneration including benefits-in-kind	19(b)	2,664	2,720
Auditors' remuneration:			
- audit fees		310	298
- regulatory related fees		113	109
Depreciation of property and equipment	4	6,035	5,622
Amortisation of intangible assets	6	11,138	14,919
(Reversal of)/allowance for impairment on insurance receivables		(1,196)	2,323

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**19. MANAGEMENT EXPENSES (CONT'D.)**

	Note	2017 RM'000	2016 RM'000
<b>Company (cont'd.)</b>			
Allowance for impairment on loans and receivables		1,543	1,272
Rental of office from third parties		6,208	4,000
Rental of office from other related companies	25(a)	201	295
Establishment cost		1,575	9,343
Marketing expenses		13,696	10,551
Communication expenses		705	702
Goods and Services Tax ("GST")		3,106	1,758
Policy processing expenses and others		1,561	2,475
Administration and general expenses		24,080	28,237
		<u>130,466</u>	<u>147,224</u>

**(a) Employee benefits expense**

<b>Group and Company</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Wages, salaries and bonuses	44,774	42,996
Contributions to social security (SOCSSO)	300	273
Contributions to EPF	6,920	5,952
Other benefits	5,571	12,192
Total employee benefits expenses	<u>57,565</u>	<u>61,413</u>

**(b) Directors' remuneration**

The details of remuneration receivable by Directors during the year are as follows:

<b>Group and Company</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Executive directors:</b>		
Fees	85	100
Allowances and other emoluments	6	6
	<u>91</u>	<u>106</u>
<b>Non-executive directors:</b>		
Fees	711	683
Allowances and other emoluments	360	398
	<u>1,071</u>	<u>1,081</u>
<b>Total directors' remuneration</b>	<u>1,162</u>	<u>1,187</u>

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**19. MANAGEMENT EXPENSES (CONT'D.)**

**(b) Directors' remuneration (cont'd.)**

<b>Group and Company</b>		<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>CEOs' remuneration</b>			
<b>(including benefits-in-kind):</b>			
Salaries		2,253	2,229
Contribution to EPF		361	357
Other benefits-in-kind		50	134
		<u>2,664</u>	<u>2,720</u>
<b>Name</b>	<b>Status of directorship</b>	<b>2017 Fees and allowances RM'000</b>	<b>2016 Fees and allowances RM'000</b>
Mr Damien Allen Green (Appointed on 18 January 2017)	Executive	22	-
Dato' Dr Nirmala Menon YB Menon (Resigned on 25 November 2016)	Executive	69	106
<b>Total executive directors' remuneration</b>		<u>91</u>	<u>106</u>
Tan Sri Azman Hashim (Chairman)	Non-Executive	133	133
Mr Cho Horng Fatt	Non-Executive	190	193
Dato' Abdullah Bin Mat Zaid	Non-Executive	164	167
Mr Phoon Soon Keong	Non-Executive	160	159
Dato' Seow Thiam Fatt	Non-Executive	138	140
Mr Sathasivan A/L Kunchambo (Appointed on 19 September 2016)	Non-Executive	73	-
Dato' Sulaiman Bin Mohd Tahir (Appointed on 20 September 2016)	Non-Executive	69	-
Mr Chin Yuen Yin (Resigned on 29 October 2015)	Non-Executive	-	106
Mr Toby Srihiran-Brown (Resigned on 18 January 2017)	Non-Executive	144	183
<b>Total non-executive directors' remuneration</b>		<u>1,071</u>	<u>1,081</u>
<b>Total directors' remuneration</b>		<u>1,162</u>	<u>1,187</u>

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**20. TAXATION**

<b>Group and Company</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
<b>Current income tax:</b>		
Malaysian income tax	-	(488)
Under/(over) provision in prior year	463	(24)
	<u>463</u>	<u>(512)</u>
<b>Deferred tax (Note 13):</b>		
Relating to origination and reversal of temporary differences	15,388	(465)
	<u>15,851</u>	<u>(977)</u>

Domestic income tax for shareholders' fund is calculated at the Malaysian statutory rate of 24% on the estimated assessable profit for the financial year.

A reconciliation of income tax expenses applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the shareholders' fund is as follows:

<b>Group</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Profit before taxation	<u>81,223</u>	<u>337</u>
Taxation at Malaysian statutory tax rate of 24%	19,494	81
Income not subject to tax	(4,697)	(3,925)
Expenses not deductible for tax purpose	591	2,891
Under/(over) provision in prior year	463	(24)
Tax expense/(credit) for the year	<u>15,851</u>	<u>(977)</u>
<b>Company</b>		
Profit/(loss) before taxation	<u>81,986</u>	<u>(2,055)</u>
Taxation at Malaysian statutory tax rate of 24%	19,677	(493)
Income not subject to tax	(4,787)	(3,263)
Expenses not deductible for tax purpose	498	2,803
Under/(over) provision in prior year	463	(24)
Tax expense/(credit) for the year	<u>15,851</u>	<u>(977)</u>

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**20. TAXATION (CONT'D.)**

**Taxation of life insurance business**

<b>Group and Company</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
<b>Current income tax:</b>		
Malaysian income tax	8,854	10,573
Overprovision in prior year	(3,672)	(1,350)
	<u>5,182</u>	<u>9,223</u>
<b>Deferred tax (Note 13):</b>		
Relating to origination and reversal of temporary differences	937	(4,595)
	<u>6,119</u>	<u>4,628</u>

The amount of tax charged on the life fund is based on the method prescribed under the Income Tax Act, 1967 for life business. The statutory tax rate for the life insurance business is 8%.

**21. EARNING/(LOSS) PER SHARE**

Earning/(loss) per share is calculated by dividing the earning/(loss) for the year attributed to ordinary equity holder of the Group and the Company by the number of ordinary shares in issue during the year.

<b>Group</b>	<b>2017</b>	<b>2016</b>
Profit attributable to ordinary equity holder (RM'000)	65,372	1,314
Number of ordinary shares in issue ('000)	200,000	200,000
Basic and diluted earnings per share (sen)	<u>32.7</u>	<u>0.7</u>
<b>Company</b>		
Profit/(loss) attributable to ordinary equity holder (RM'000)	66,135	(1,078)
Number of ordinary shares in issue ('000)	200,000	200,000
Basic and diluted earnings/(loss) per share (sen)	<u>33.1</u>	<u>(0.5)</u>

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

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**22. CASH FLOWS**

Group	Note	2017 RM'000	2016 RM'000
<b>Profit before taxation</b>		81,223	337
<i>Adjustment for non-cash items:</i>			
Taxation of life fund	20	6,119	4,628
Investment income	16	(148,925)	(148,611)
Realised gains recorded in the income statements	17	5,526	(1,902)
Fair value gains recorded in income statement	18	2,858	(1,081)
Purchases of FVTPL financial investments		(339,367)	(272,449)
Purchases of AFS financial assets		(381,872)	(207,962)
Maturities of FVTPL financial investments		114,968	80,685
Maturities of AFS financial assets		97,117	37,571
Proceeds from sale of FVTPL financial investments		185,206	167,739
Proceeds from sale of AFS financial assets		194,624	163,227
Increase in LAR		103,855	105
<b>Non-cash items:</b>			
Accretion of discounts - net		(3,581)	958
Depreciation of property and equipment	19	5,978	5,622
Amortisation of intangible assets	19	11,138	14,919
Fair value adjustments		(1,295)	1,466
Allowance for impairment on insurance receivables	19	(1,196)	2,323
Impairment of self-occupied properties	4	-	431
Write-off of intangible assets	6	256	-
<b>Changes in working capital:</b>			
Reinsurance assets		5,096	(4,982)
Insurance receivables		(9,582)	251
Other receivables		(3,628)	808
Insurance contract liabilities		(71,138)	14,130
Insurance payables		13,355	(11,069)
Other payables		(21,802)	(3,429)
<b>Cash used in operating activities</b>		<u>(155,067)</u>	<u>(156,285)</u>

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**22. CASH FLOWS (CONT'D.)**

Company	Note	2017 RM'000	2016 RM'000
<b>Profit/(loss) before taxation</b>		81,986	(2,055)
<i>Adjustment for non-cash items:</i>			
Taxation of life fund	20	6,119	4,628
Investment income	16	(148,537)	(148,787)
Realised gains recorded in the income statements	17	4,249	(1,360)
Fair value losses/ (gain) recorded in income statement	18	3,368	1,312
Purchases of FVTPL financial investments		(195,928)	(126,498)
Purchases of AFS financial assets		(398,487)	(223,303)
Maturities of FVTPL financial investments		65,435	69,972
Maturities of AFS financial assets		97,117	37,573
Proceeds from sale of FVTPL financial investments		61,573	56,958
Proceeds from sale of AFS financial assets		203,646	164,733
Increase in LAR		103,855	105
<b>Non-cash items:</b>			
Accretion of discounts - net		(1,970)	30
Depreciation of property and equipment	19	5,978	5,622
Amortisation of intangible assets	19	11,138	14,919
Fair value adjustments		(19)	924
Allowance for impairment on insurance receivables	19	(1,196)	2,323
Impairment of self-occupied properties	4	-	431
Write-off of intangible assets	6	256	-
<b>Changes in working capital:</b>			
Reinsurance assets		5,096	5,559
Insurance receivables		(9,582)	251
Other receivables		(9,017)	(5,030)
Insurance contract liabilities		(71,138)	11,951
Insurance payables		13,355	(11,069)
Other payables		(18,514)	(6,725)
<b>Cash used in operating activities</b>		<u>(191,217)</u>	<u>(147,536)</u>

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**23. OPERATING LEASE ARRANGEMENTS**

**The Company as Lessee**

The Company has entered into operating lease agreements for the use of buildings. These leases have an average lease term ranging between 2 and 3 years.

The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	2017 RM'000	2016 RM'000
<b>Group and Company</b>		
Not later than 1 year	7,305	7,062
Later than 1 year and not later than 3 years	3,300	9,442
	<u>10,605</u>	<u>16,504</u>

Rental expenses recognised in the income statements during the financial year are disclosed in Note 19.

**The Company as Lessor**

The Company has entered into operating lease agreements on its investment properties portfolio. These leases have remaining lease terms ranging between 1 to 3 years. These leases generally include a clause to enable revision of rental charge upon expiry of the initial term based on prevailing market rates.

The future minimum lease payments receivable under operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2017 RM'000	2016 RM'000
<b>Group and Company</b>		
Not later than 1 year	3,280	4,186
Later than 1 year and not later than 3 years	2,697	2,340
	<u>5,977</u>	<u>6,526</u>

Rental income recognised in the income statements during the financial year are disclosed in Note 16.

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**24. CAPITAL COMMITMENTS**

As of 31 March 2017, capital expenditure approved by Directors but not provided for in the financial statements are as follows:

<b>Group and Company</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
Computer hardware and software		
Authorised and contracted	20,578	35,633
Authorised but not contracted	2,177	-
	<u>22,755</u>	<u>35,633</u>

**25. RELATED PARTY DISCLOSURES**

**(a) Related parties**

The related parties and their relationship with the Company as of 31 March 2017 are as follows:

<b>Name</b>	<b>Relationship</b>
AMAB Holdings Sdn. Bhd	Shareholders
MetLife International Holdings Inc ("MIH")	Shareholders
AMMB Holdings Berhad ("AMMB")	Immediate holding company of AMAB
MetLife Inc	Immediate holding company of MIH
AmIncome Institutional 5 ("AmI15")	Subsidiary
AmMetLife Takaful Berhad	Fellow subsidiary company
AmGeneral Holdings Berhad	Other related company

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**25. RELATED PARTY DISCLOSURES (CONT'D.)**

**(a) Related parties (cont'd.)**

<b>Name</b>	<b>Relationship</b>
AmlInvestment Bank Berhad	Other related company
AMFB Holdings Berhad	Other related company
AmBank (M) Berhad	Other related company
AmlInvestment Management Sdn. Bhd.	Other related company
AmlInvestment Services Berhad	Other related company
AmSecurities Sdn. Bhd.	Other related company
Arab-Malaysian Credit Berhad	Other related company
AmTrustee Berhad	Other related company
Amcorp Properties Berhad	Other related company
Amcorp Group Berhad	Other related company
AmIslamic Bank Berhad	Other related company
AMDB Berhad	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests
Harpers Travel (M) Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests
Medan Delima Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests
Syarikat Kompleks Damai Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests

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**25. RELATED PARTY DISCLOSURES (CONT'D.)**

**(a) Related parties (cont'd.)**

<b>Name</b>	<b>Relationship</b>
AMDB Property Management Company Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests
AMDB Realty Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests
Insurance Australia Group Ltd. (IAG Ltd)	Corporate shareholder of AmGeneral Holdings Berhad and past corporate shareholder of the Company
MCM Consulting Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests
MCM Horizon Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim has financial interests

In the normal course of business, the Company undertakes various transactions with subsidiary and associated companies of its holding, and other companies deemed related parties by virtue of common director's shareholdings and corporate shareholders' interests in its holding companies. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available on similar transactions to its other customers or employees, and other related party transactions were also carried out on terms and conditions no more favourable than those available on similar transactions to its unrelated parties, unless otherwise stated.

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**25. RELATED PARTY DISCLOSURES (CONT'D.)**

**(a) Related parties (cont'd.)**

**Related party balances**

Significant related party balances as at end of the financial year are as follows:

<b>Group and Company</b>	<b>Note</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
<b>Included in other receivables:</b>	10		
Income due and accrued:			
AmBank (M) Berhad		89	1,450
		<u>89</u>	<u>1,450</u>
<b>Amount due from related companies:</b>			
MetLife International Holdings Inc		965	754
AMAB Holdings Sdn Bhd		1,248	-
AmMetLife Takaful Berhad		-	1,899
AMMB Holdings Berhad		1,434	1,079
		<u>3,647</u>	<u>3,732</u>
<b>Included in other payables:</b>	15		
Amount due to related companies:			
AmBank (M) Berhad		8,801	16,209
AmGeneral Holdings Berhad		38	10
AmMetLife Takaful Berhad		418	-
		<u>9,257</u>	<u>16,219</u>
		-	-
<b>Fixed deposits placements:</b>			
AmBank (M) Berhad		-	100,000
		<u>-</u>	<u>100,000</u>
<b>Investment in bonds:</b>			
AmBank (M) Berhad		32,289	33,083
		<u>32,289</u>	<u>33,083</u>
<b>Negotiable instruments of deposit:</b>			
AmBank (M) Berhad		-	50,054
		<u>-</u>	<u>50,054</u>
<b>Short term deposits placements:</b>			
AmBank (M) Berhad		5,926	4,262
		<u>5,926</u>	<u>4,262</u>

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**25. RELATED PARTY DISCLOSURES (CONT'D.)**

**(a) Related parties (cont'd.)**

**Related party transactions**

The significant transactions of the Company with related parties during the financial year are as follows:

<b>Group and Company Income/(expenses)</b>	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Premium income:</b>			
Amcorp Properties Berhad		174	169
Amcorp Group Berhad		471	241
AMMB Holdings Berhad		-	52
AmInvestment Bank Berhad		663	669
AmBank (M) Berhad		26,524	31,649
AmGeneral Holdings Berhad		505	577
		<u>28,337</u>	<u>33,357</u>
<b>Interest income:</b>			
AmBank (M) Berhad		8,658	12,079
AmIslamic Bank Berhad		-	18
		<u>8,658</u>	<u>12,097</u>
<b>Rental income:</b>			
AmBank (M) Berhad		2,301	2,349
AmInvestment Bank Berhad		268	355
AmGeneral Holdings Berhad		289	582
		<u>2,858</u>	<u>3,286</u>
<b>Reimbursement of rental expense:</b>			
AmMetLife Takaful Berhad		1,231	550
MetLife International Holdings Inc		1,880	448
		<u>3,111</u>	<u>998</u>
<b>Reimbursement of general and administrative expenses:</b>			
AMAB Holdings Sdn. Bhd.		1,248	-
AmMetLife Takaful Berhad		2,603	2,887
MetLife International Holdings Inc		580	782
		<u>4,431</u>	<u>3,669</u>
<b>General and administrative income:</b>			
AmMetLife Takaful Berhad		<u>2,565</u>	-
<b>Commission expenses:</b>			
AmBank (M) Berhad		<u>(10,300)</u>	<u>(7,598)</u>

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**25. RELATED PARTY DISCLOSURES (CONT'D.)**

**(a) Related parties (cont'd.)**

	Note	2017 RM'000	2016 RM'000
<b>General and administrative expenses:</b>			
AmBank (M) Berhad		(1,695)	(4,428)
AmGeneral Holdings Berhad		-	(1)
Harpers Travel (M) Sdn. Bhd.		(1,875)	(928)
		<u>(3,570)</u>	<u>(5,357)</u>
<b>Rental expenses:</b>			
AmBank (M) Berhad		(60)	(40)
AmGeneral Holdings Berhad		(141)	(255)
	19	<u>(201)</u>	<u>(295)</u>
<b>Management fees:</b>			
AmInvestment Management Sdn. Bhd.		(1,175)	(1,507)
AmTrustee Berhad		(67)	(4)
		<u>(1,242)</u>	<u>(1,511)</u>

**(b) Key management personnel**

**Compensation of key management personnel**

Key management personnel are those persons having authority and responsibility in planning, directing and controlling the activities of the Company directly or indirectly.

The key management personnel of the Group and the Company include the directors and Chief Executive Officer.

The remuneration of key management personnel during the year are as follows:

<b>Key management personnel's remuneration</b>			
Salaries (including benefits-in-kind)		5,666	5,923
Ex-gratia		-	-
Defined contribution plan - EPF		892	920
		<u>6,558</u>	<u>6,843</u>
Executive and Non-Executive Directors' remuneration	19(b)	<u>1,162</u>	<u>1,187</u>
		<u>7,720</u>	<u>8,030</u>

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## **26. RISK MANAGEMENT FRAMEWORK**

The Group is exposed to market risk, credit risk and liquidity risk from its use of financial instruments. Correspondingly, through the issuance of insurance contracts, the Group is exposed to the above risks as well as insurance risk. This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

### **(a) Risk management framework**

The Group has in place an integrated risk management framework adopted from the local regulatory requirements and industry best practice which is implemented across the organisation and designed to support the identification, assessment, monitoring and control of significant risks and translate the impact on both earnings and capital.

The Group has established an Enterprise Risk Management Framework ("ERMF") where it sets out a formal framework of how risks affecting insurance operations are to be managed. It also establishes the objectives/principles and the methodology/reporting through which risks in the Group will be escalated for management and oversight by AmBank Group Risk and MetLife Regional Risk Management Function. All identified risks will be subject to continuous monitoring and review in alignment with the assessed residual level of the risks. Enterprise risk management is a process designed to identify potential and actual events that may affect the Group and manage the risk to be within its risk appetite.

As an integral part of the overall ERMF, the Group also develops a Risk Appetite Statement ("RAS") which is in compliance with the regulatory requirements as set by BNM. The RAS is a comprehensive written expression of the types and aggregate level of risks that the Group wishes to assume. It establishes boundaries for managerial risk taking as the Group pursues its strategic objectives and business plan and has an impact on various activities within the Group such as product pricing, performance management, capital management and investment.

### **(b) Capital management objectives, policies and approach**

The Group has established the following capital management objectives, policies and approach to the risks that affect its capital position.

The capital management objectives are:

- To maintain the level of capital as required by the Individual Target Capital Level ("ITCL") set by the Group as well as the Regulatory Capital Adequacy Ratio ("CAR") as required by BNM;

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**26. RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**(b) Capital management objectives, policies and approach (cont'd.)**

- To allocate capital efficiently and support the development of the Group's businesses by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining a strong liquidity position for the Group and ensuring access to a range of capital market instruments, particularly in the event that the Internal ITCL and/or Regulatory ITCL are/is breached;
- To align the profile of assets and liabilities taking account of risks inherent in the business and, thereby providing a strong and effective Asset Liability Management Framework;
- To maintain financial strength ratings and healthy capital ratios in order to support its business objectives and maximise shareholders' value; and
- To provide shareholders with a predictable and sustainable dividend return as targeted in the Group's dividend policy.

**Approach to capital management**

The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach on managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. In managing the capital, the Group considers a number of key factors including:

- the level of ITCL;
- the dividend policy;
- the cost of capital; and
- business strategies and expansion plan.

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**26. RISK MANAGEMENT FRAMEWORK (CONT'D)**

**(b) Capital management objectives, policies and approach (cont'd.)**

**Approach to capital management (cont'd.)**

**Stress testing**

The Group uses regular stress testing and sensitivity analyses to monitor the robustness of the Group's capital position. Stress testing has been carried out to assess:

- The extent by which capital will be eroded by the threats identified and the impact on the Group's financial health and CAR; and
- The actions that will be required to mitigate the threats identified.

The Group also tests the impact of event-driven scenarios on capital adequacy. The Group has taken the approach to conduct at least 3 stress scenarios that project over a 1-year period to test the robustness of the Group's financial health and impacts arising from adverse but plausible events as well as to assess the vulnerability of the key risks parameter.

**(c) Risk Governance and Regulatory Framework**

Risk management is an integral part of the organisational process that creates value through enabling conscious decision making around understanding the Group's risk profile. It occurs through a structured process of risk identification, risk analysis, risk evaluation and risk treatment. This process is supported by a dynamic and interactive consultation and communication of risks with all levels of management. Risks are addressed with experience, transparency and in a systematic manner such that the level of risk the Group is willing to take is clearly aligned with its risk appetite.

Issues arising from the ERMF and RAS will be subject to oversight by the MetLife Regional Risk Management Function and AmBank Group Risk, and reviewed by the Risk Management Committee of Directors. The Chief Risk Officer ("CRO") of the Group has a distinct responsibility for the risk management function and does not possess any role with other executive functions and does not have any management or financial responsibility in respect of any business lines or revenue-generating functions. In addition, to preserve the independence function, the CRO has a direct and unimpeded access to the Board, Risk Management Committee of Directors ("RMCD") and MetLife Regional CRO Asia (Ex Japan).

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**26. RISK MANAGEMENT FRAMEWORK (CONT'D)**

**(c) Risk Governance and Regulatory Framework (cont'd.)**

The Board is ultimately responsible for the management of risks for the Group and the Risk Management Committee of Directors will assist the Board in discharging its duties in overseeing the overall management of all risks. The Board has also established various management committees to assist in the management of risk: one of which is the Governance Risk Compliance Committee ("GRCC"). The GRCC will oversee the Group's aggregate risk exposure and the management of all risks, ensuring that the risk profile of the Group is within the approved risk appetite. The GRCC will also recommend the risk appetite related to the relevant risk category and will compare the aggregate risk profile, both current and emerging, against risk appetite and tolerance levels.

**(d) Asset-Liability Management ("ALM") Framework**

The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within the ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. Amongst the mechanisms to manage the ALM framework is the assessment and monitoring of the portfolio duration as well as duration for specific products. Asset liability mismatch risk is managed and monitored by the Asset Liability Committee ("ALCO").

**27. INSURANCE RISK**

**Life insurance contracts**

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Accordingly, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

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**27. INSURANCE RISK (CONT'D.)**

**Life insurance contracts (cont'd.)**

The Group purchases reinsurance as part of its risk mitigation programme. The majority of proportional reinsurance is quota-share reinsurances, which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess of loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurances, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer.

Life insurance contracts offered by the Group include a range of participating and non-participating term, whole life, term assurance, endowment, investment-linked and mortgage endowment products.

The Group's participating products provide savings and protection where the basic sum assured can be enhanced by a profit share (or bonus) from the underlying fund as determined at the discretion of the Group. The Group's non-participating term, whole life and endowment products offer savings and/or protection where the benefits are guaranteed or determined by a set of defined market-related parameters. Investment-linked products combine savings with protection where the cash value of the policy depends on the value of the underlying unitised funds. Medical policies provide mortality or morbidity benefits and includes total and permanent disability and critical illness. Medical riders are commonly offered as supplements to main life policies but can be sold separately.

Participating products have both guaranteed and non-guaranteed elements. Non-participating long-term products are the only ones where the insurer is contractually obliged to provide guarantees on all benefits. Investment-linked products have the lowest level of guarantee if any.

The main risks that the Group is exposed to are as follows:

- mortality risk – risk of loss arising due to policyholders' death experience being different from expectations; and
- morbidity risk – risk of loss arising due to policyholders' health experience being different from expectations.

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**27. INSURANCE RISK (CONT'D.)**

**Life insurance contracts (cont'd.)**

Other risks include:

- policyholder decision risk – risk of loss arising from the experience of actual policyholder behaviour (e.g. lapses, option take-up) being different from expectations; and
- expense risk – risk of loss due to expense experience being different from expectations.

Underpinning the Group's management of insurance risk are:

- adherence to an approved underwriting policy that takes into account the level of risk that the Group is prepared to accept;
- controls around the development of products and their pricing as outlined in the Product Management Framework as approved by RMCD; and
- regular analysis of actual mortality, morbidity and lapse experience, which feeds into the development of products and policies. If the analysis changes expectations of future liability cash flows, periodic adjustments are made to asset cash flows to maintain the asset liability match.

The Group's Underwriting Committee establishes, reviews and monitors the underwriting and reinsurance policies and strategies. As part of the underwriting strategy, risks in excess of agreed underwriting limits may be reinsured. The Group's objective is to purchase reinsurance in the most cost-effective manner from reinsurers whose creditworthiness is deemed appropriate.

The Group utilises reinsurance to manage the mortality and morbidity risks. Retention limits for death, total and permanent disability ("TPD") or critical illness claims per life are limited to a maximum of RM100,000 except for certain products.

In order to protect against an aggregation of claims due to one event, the Group is protected by catastrophe reinsurance. On ordinary and group life business, the Group will need to meet the first RM300,000. Any amount over RM300,000 up to a maximum of RM15 million per catastrophe event will be met by the reinsurer.

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**27. INSURANCE RISK (CONT'D.)**

**Life insurance contracts (cont'd.)**

The table below shows the concentration of life insurance contract liabilities by type of contract as at the reporting date, net of reinsurance:

Group and Company	Net of reinsurance		Total RM'000
	With DPF RM'000	Without DPF RM'000	
<b>2017</b>			
Whole life	446,917	336,324	783,241
Endowment	458,882	108,860	567,743
Term plans - Mortgage	-	372,244	372,244
Term plans - Others	88,250	167,709	255,958
Medical and health	-	47,255	47,255
Riders and others	21,687	78,460	100,147
<b>Total life insurance (Note 12)</b>	<b>1,015,736</b>	<b>1,110,852</b>	<b>2,126,588</b>
<b>2016</b>			
Whole life	489,706	341,337	831,043
Endowment	443,515	143,235	586,750
Term plans - Mortgage	-	393,968	393,968
Term plans - Others	87,887	183,153	271,040
Medical and health	-	41,463	41,463
Riders and others	23,671	76,944	100,615
<b>Total life insurance (Note 12)</b>	<b>1,044,779</b>	<b>1,180,100</b>	<b>2,224,879</b>

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

**Key assumptions**

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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**27. INSURANCE RISK (CONT'D.)**

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

**Mortality rates:**

Assumptions are based on a standard industry table, which is the M9903, for lives assured in Malaysia. A percentage is applied to the table to allow for the Group's internal experience on its policyholders. Assumptions are differentiated by sex and underwriting class. For critical illness rates, reinsurer's rates are adopted.

An increase in rates will lead to larger number of claims benefits being paid out sooner than anticipated, which will increase expenditure and reduce profits for shareholders.

<b>Type of business</b>	<b>2017</b>	<b>2016</b>
Life insurance - male	66%-123% of M9903	75%-112% of M9903
Life insurance - female	67%-124% of M9903	70%-137% of M9903

**Investment return:**

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. The rate of returns is excluded the investment linked fund growth rate.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

<b>Type of business</b>	<b>2017</b>	<b>2016</b>
Life insurance	4.55-5.10%	4.93-5.67%

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**27. INSURANCE RISK (CONT'D.)**

**Key assumptions (cont'd.)**

**Expenses:**

Management expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses are based on the expense analysis conducted yearly under the Group's Financial Condition Report, and adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for shareholders.

**Lapse and surrender rates:**

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type and policy duration.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

<b>Type of business</b>	<b>2017</b>	<b>2016</b>
Term plans	11.0%-27.0%	10.3%-43.7%
Whole life	1.4%-50.5%	1.3%-45.1%
Endowment	0.4%-27.0%	0.6%-32.4%
Reducing term assurance	0.5%-1.8%	0.5%-1.8%

**Discount rate:**

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on zero-coupon spot yield of the MGS for non-participating policies and Fund-based yield for participating policy.

A decrease in discount rate will increase the value of the insurance liability, therefore profits for shareholders will be reduced. The discount rates applied for the year-end valuations are as follows:

<b>Type of business</b>	<b>2017</b>	<b>2016</b>
Life Insurance - Fund Base Yield	5.10%	5.67%
- MGS Yield	3.29%-4.68%	2.69%-4.28%

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**27. INSURANCE RISK (CONT'D.)**

**Sensitivities**

The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Sensitivity information will also vary according to the current economic assumptions.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus before taxation of the Life Insurance Fund and Shareholders' equity.

	Change in Assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus RM'000	Impact on profit or loss and equity* RM'000
<b>Group and Company</b>					
<b>Life Insurance Contracts</b>					
<b>Increase/(decrease):</b>					
<b>31 March 2017</b>					
Mortality/morbidity	+10%	39,895	19,920	(19,920)	(17,889)
Investment return	-1%	28,071	28,071	(28,071)	109
Expenses	+10%	15,281	15,281	(15,281)	(12,325)
Lapse and surrender rates	+10%	(7,385)	(7,498)	7,498	1,631
Discount rate	-1%	132,801	135,465	(135,465)	(127,890)
<b>31 March 2016</b>					
Mortality/morbidity	+10%	42,357	21,199	(21,199)	(18,843)
Investment return	-1%	44,050	44,050	(44,050)	260
Expenses	+10%	18,136	18,136	(18,136)	(14,651)
Lapse and surrender rates	+10%	(10,062)	(9,998)	9,998	2,838
Discount rate	-1%	143,988	144,761	(144,761)	(135,114)

\*After considering tax effects

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

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**28. FINANCIAL RISK**

**(1) Credit risk**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its financial obligations, including failing to meet the obligations in a timely manner.

Credit risk includes the following five elements:

- Investment credit risk – financial loss arising from a change in the value of an investment due to a rating downgrade, default or widening of credit spreads.
- Reinsurance counterparty risk – financial loss arising from a reinsurer's default, or the deterioration of the reinsurer's financial position.
- Deposit risk – financial loss arising from a deposit institution's default, or the deterioration of the deposit institution's financial position.
- Loan risk – financial loss arising from a debtor's inability to repay all, or part, of its loan obligations to the Group or the deterioration of the debtor's financial position.
- Settlement risk – financial loss arising from the failure or substantial delay of an expected settlement in a transfer system to take place, due to the party other than the Group defaulting/not delivering on its settlement obligations.

The Group's primary exposure to credit risk arises primarily through its investment in fixed income securities, receivables arising from sales of insurance policies, and obligations of reinsurers to the Group and/or the Company through reinsurance contracts. The Group has put in place credit policies and investment guidelines as a part of its overall credit risk management framework. The Group manage individual exposures as well as concentration of credit risks.

The Group is exposed to investment credit risk on its investment portfolio, primarily from investments in corporate bonds. Creditworthiness assessment for new and existing investments is undertaken by the Group in accordance with the Investment Policy as approved by the RMCD and Board of Directors ("BOD"). In addition, the credit ratings of the Group's investment portfolio are regularly monitored and any downgrade in credit rating will be evaluated to determine the actions required. The Group's investment portfolio is highly rated, with no material exposure below investment grade.

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**28. FINANCIAL RISK (CONT'D.)**

**(1) Credit risk (cont'd.)**

The Group is exposed to reinsurance counterparty risk in three ways:

- as a result of debt arising from claims made by the Group and/or the Company but not yet paid by the reinsurer;
- from reinsurance premium payments made to the reinsurer in advance; and
- as a result of reserves held by the reinsurer which would have to be met by the Group in the event of default.

In order to mitigate reinsurance counterparty risk, the Group will give due consideration to the credit quality of a reinsurer before entering into a reinsurance treaty. To facilitate this process, a list of acceptable reinsurers is maintained within the Group.

The Group is exposed to deposit risk on the balances deposited with banks in the form of cash and money market instruments. The deposit risk for cash deposit and money market instruments are managed by placing only in financial institutions governed by BNM.

The Group is exposed to loan credit risk in relation to the Malaysian government guaranteed loans, policy loans, mortgage loans and staff loans.

Settlement risk is a form of credit risk that arises at the settlement of a transaction, as a result of a counterparty failing to fulfill its obligations to the Group. The Group is exposed to settlement risk in the following key areas:

- the purchase or sale of investments
- the purchase or sale of properties

**Objectives in managing credit risk**

To mitigate credit risk:

- investment policies will have a prescribed minimum credit rating of bonds that will be held by the Group. Investing in a diversified portfolio reduces the financial impact to the Group arising from individual bond issuers defaulting.
- counterparty limits are set for investments, cash deposits, foreign exchange trade exposure and stock lending.
- the Group regularly reviews the financial security of its reinsurers.

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**28. FINANCIAL RISK (CONT'D.)**

**(1) Credit risk (cont'd.)**

**Credit exposure**

The table below shows the maximum exposure to credit risk for the components of the statements of financial position which are exposed to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

Group	2017				
	Shareholders' Note	Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000
LAR:	7(a)				
Deposits with licensed banks		65,618	152,680	206	218,504
Loans					
Malaysian government guaranteed loans		-	101,422	-	101,422
Policy loans		-	93,649	-	93,649
Mortgage loans		-	721	-	721
Staff loans		-	17	-	17
AFS:	7(b)				
Malaysian government securities		-	68,935	-	68,935
Corporate bonds		-	848,519	-	848,519
Negotiable instruments of deposits		-	-	-	-
FVTPL - Held for trading purposes:	7(c)				
Malaysian government securities		-	88,114	-	88,114
Corporate bonds		309,098	971,727	18,066	1,298,891
Reinsurance assets	8	-	10,061	-	10,061
Insurance receivables	9	-	91,238	-	91,238
Other receivables*		20,636	26,017	1,091	47,744
Cash and bank balances		-	26,080	10,768	36,848
		<u>395,352</u>	<u>2,479,180</u>	<u>30,131</u>	<u>2,904,663</u>

\* Excluded prepayments and tax recoverable.

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**28. FINANCIAL RISK (CONT'D.)**

**(1) Credit risk (cont'd.)**

**Credit exposure (cont'd.)**

Group	2016				
	Shareholders' Note	Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Group RM'000
LAR:	7(a)				
Deposits with licensed banks		20,376	271,999	146	292,521
Loans					
Malaysian government guaranteed loans		-	101,435	-	101,435
Policy loans		-	97,347	-	97,347
Mortgage loans		-	835	-	835
Staff loans		-	47	-	47
AFS:	7(b)				
Corporate bonds		-	703,712	-	703,712
Negotiable instruments of deposits		-	50,054	-	50,054
FVTPL - Held for trading purposes:	7(c)				
Corporate bonds		336,707	1,005,739	16,368	1,358,814
Reinsurance assets	8	-	15,157	-	15,157
Insurance receivables	9	-	80,460	-	80,460
Other receivables*		19,513	25,709	418	45,640
Cash and bank balances		(2,516)	70,797	20,719	89,000
		<u>374,080</u>	<u>2,423,291</u>	<u>37,651</u>	<u>2,835,022</u>

\* Excluded prepayments and tax recoverable.

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**28. FINANCIAL RISK (CONT'D.)**

**(1) Credit risk (cont'd.)**

**Credit exposure (cont'd.)**

Company	2017			
	Shareholders' Fund Note	Life Fund RM'000	Unit-linked RM'000	Company RM'000
LAR:	7(a)			
Deposits with licensed banks		26,072	206	178,958
Loans				
Malaysian government guaranteed loans		-	-	101,422
Policy loans		-	-	93,649
Mortgage loans		-	-	721
Staff loans		-	-	17
AFS:	7(b)			
Malaysian government securities		-	-	68,935
Corporate bonds		-	-	848,519
FVTPL - Held for trading purposes:	7(c)			
Malaysian government securities		-	-	88,114
Corporate bonds		-	18,066	989,793
Reinsurance assets	8	-	-	10,061
Insurance receivables	9	-	-	91,238
Other receivables*		18,171	1,091	45,279
Cash and bank balances		-	10,768	36,848
		<u>44,243</u>	<u>30,131</u>	<u>2,553,554</u>

\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (1) Credit risk (cont'd.)

## Credit exposure (cont'd.)

Company	2016			
	Shareholders' Fund Note	Life Fund RM'000	Unit-linked RM'000	Company RM'000
LAR:	7(a)			
Deposits with licensed banks		18,037	271,999	146
Loans				
Malaysian government guaranteed loans		-	101,435	-
Policy loans		-	97,347	-
Mortgage loans		-	835	-
Staff loans		-	47	-
AFS:	7(b)			
Corporate bonds		-	703,712	-
Negotiable instruments of deposits		-	50,054	-
FVTPL - Held for trading purposes:	7(c)			
Corporate bonds		-	1,005,739	16,368
Reinsurance assets	8	-	15,157	-
Insurance receivables	9	-	80,460	-
Other receivables*		10,988	25,709	418
Cash and bank balances		(2,516)	70,797	20,719
		<u>26,509</u>	<u>2,423,291</u>	<u>37,651</u>
				<u>2,487,451</u>

\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (1) Credit risk (cont'd.)

## Credit exposure (cont'd.)

## Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying financial and insurance assets according to the Group's credit ratings of counterparties.

Group	Neither past due nor impaired				Not rated	Unit-Linked	Past due but not impaired*	Total
	AAA	AA	A	GG				
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investments:								
LAR:								
Deposits with licensed banks	160,334	57,964	-	-	-	206	-	218,504
Loans								
Malaysian government guaranteed loans	-	-	-	101,422	-	-	-	101,422
Policy loans	-	-	-	-	93,649	-	-	93,649
Mortgage loans	-	-	-	-	721	-	-	721
Staff loans	-	-	-	-	17	-	-	17
AFS:								
Malaysian government securities	-	-	-	68,935	-	-	-	68,935
Corporate bonds	204,518	283,006	21,774	339,221	-	-	-	848,519
FVTPL - Held for trading purposes:								
Malaysian government securities	-	-	-	88,114	-	-	-	88,114
Corporate bonds	160,058	493,563	77,998	549,206	-	18,066	-	1,298,891
Reinsurance assets	113	8,149	1,803	-	(4)	-	-	10,061
Insurance receivables	5,995	6,014	16,433	-	62,796	-	-	91,238
Other receivables**	4,443	10,607	443	10,627	20,533	1,091	-	47,744
Cash and bank balances	26,267	(220)	-	-	33	10,768	-	36,848
	561,728	859,083	118,451	1,157,525	177,745	30,131	-	2,904,663

\* An ageing for assets past due is provided below.

\*\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (1) Credit risk (cont'd.)

## Credit exposure (cont'd.)

## Credit exposure by credit rating (cont'd.)

Group 2016	Neither past due nor impaired				Not rated RM'000	Unit- Linked RM'000	Past due but not impaired* RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	GG RM'000				
Investments:								
LAR:								
Deposits with licensed banks	180,489	111,886	-	-	-	146	-	292,521
Loans								
Malaysian government guaranteed loans	-	-	-	101,435	-	-	-	101,435
Policy loans	-	-	-	-	97,347	-	-	97,347
Mortgage loans	-	-	-	-	835	-	-	835
Staff loans	-	-	-	-	47	-	-	47
AFS:								
Corporate bonds	144,167	308,552	27,172	223,821	-	-	-	703,712
Negotiable instruments of deposits	-	50,054	-	-	-	-	-	50,054
FVTPL - Held for trading purposes:								
Corporate bonds	181,189	594,004	44,778	522,475	-	16,368	-	1,358,814
Reinsurance assets	-	15,021	140	-	(4)	-	-	15,157
Insurance receivables	-	12,090	3,703	-	55,847	-	8,820	80,460
Other receivables**	3,770	14,953	726	7,985	17,788	418	-	45,640
Cash and bank balances	63,365	4,816	-	-	100	20,719	-	89,000
	<b>572,980</b>	<b>1,111,376</b>	<b>76,519</b>	<b>855,716</b>	<b>171,960</b>	<b>37,651</b>	<b>8,820</b>	<b>2,835,022</b>

\* An ageing for assets past due is provided below.

\*\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (1) Credit risk (cont'd.)

## Credit exposure (cont'd.)

## Credit exposure by credit rating (cont'd.)

Company 2017	Neither past due nor impaired				Not rated RM'000	Unit- Linked RM'000	Past due but not impaired* RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	GG RM'000				
Investments:								
LAR:								
Deposits with licensed banks	160,334	18,418	-	-	-	206	-	178,958
Loans								
Malaysian government guaranteed loans	-	-	-	101,422	-	-	-	101,422
Policy loans	-	-	-	-	93,649	-	-	93,649
Mortgage loans	-	-	-	-	721	-	-	721
Staff loans	-	-	-	-	17	-	-	17
AFS:								
Malaysian government securities	-	-	-	68,935	-	-	-	68,935
Corporate bonds	204,518	283,006	21,774	339,221	-	-	-	848,519
FVTPL - Held for trading purposes:								
Malaysian government securities	-	-	-	88,114	-	-	-	88,114
Corporate bonds	160,057	249,035	40,958	521,677	-	18,066	-	989,793
Reinsurance assets	113	8,149	1,803	-	(4)	-	-	10,061
Insurance receivables	5,996	6,015	16,433	-	62,794	-	-	91,238
Other receivables**	4,140	7,499	443	10,177	21,929	1,091	-	45,279
Cash and bank balances	26,267	(220)	-	-	33	10,768	-	36,848
	561,425	571,902	81,411	1,129,546	179,139	30,131	-	2,553,554

\* An ageing for assets past due is provided below.

\*\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (1) Credit risk (cont'd.)

## Credit exposure (cont'd.)

## Credit exposure by credit rating (cont'd.)

Company 2016	Neither past due nor impaired				Not rated RM'000	Unit- Linked RM'000	Past due but not impaired* RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	GG RM'000				
Investments:								
LAR:								
Deposits with licensed banks	178,150	111,886	-	-	-	146	-	290,182
Loans								
Malaysian government guaranteed loans	-	-	-	101,435	-	-	-	101,435
Policy loans	-	-	-	-	97,347	-	-	97,347
Mortgage loans	-	-	-	-	835	-	-	835
Staff loans	-	-	-	-	47	-	-	47
AFS:								
Corporate bond	144,167	308,553	27,172	223,820	-	-	-	703,712
Negotiable instruments of deposits	-	50,054	-	-	-	-	-	50,054
FVTPL - Held for trading purposes:								
Corporate bonds	181,189	288,418	41,781	494,351	-	16,368	-	1,022,107
Reinsurance assets	-	15,021	140	-	(4)	-	-	15,157
Insurance receivables	-	12,090	3,703	-	55,847	-	8,820	80,460
Other receivables**	3,770	10,803	506	7,530	14,088	418	-	37,115
Cash and bank balances	63,365	4,816	-	-	100	20,719	-	89,000
	570,641	801,641	73,302	827,136	168,260	37,651	8,820	2,487,451

\* An ageing for assets past due is provided below.

\*\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (1) Credit risk (cont'd.)

## Age analysis of assets past-due and impaired assets

Group and Company	Past-due but not impaired			Total RM'000	Past due and impaired RM'000	Total RM'000
	< 6 months	6 months to 12 months	>12 months			
	RM'000	RM'000	RM'000			
<b>2017</b>						
Secured loans	-	-	-	-	5,111	5,111
Insurance receivables	-	-	-	-	37,516	37,516
	-	-	-	-	42,627	42,627
<b>2016</b>						
Secured loans	-	-	-	-	3,568	3,568
Insurance receivables	-	-	8,820	8,820	37,516	46,336
	-	-	8,820	8,820	41,084	49,904

**Past due but not impaired assets**

Receivables have been arranged to be settled in the near future and there is no indication that clients will not be able to meet their payment obligations.

**Past due and impaired assets**

Impairment means the Group and the Company consider it probable that it will suffer a loss on the loans and insurance receivable as a result of debtors' inability to meet their commitments according to the contractual terms and the absence of any alternative means of repayment or recovery.

Evidences of impairment are, where possible, assessed at individual account level, in particular, those that are individually significant.

Insurance receivable that are individually not significant and that are individually significant but no evidence that impairment is present are included in a pool of insurance receivables with similar credit risk characteristics for assessment on a collective basis.

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**28. FINANCIAL RISK (CONT'D.)**

**(1) Credit risk (cont'd.)**

**Past due and impaired assets (cont'd.)**

Collective impairment is assessed using historical relationships between identified loss events and eventual evidence of impairment occurring in portfolios of similar risk characteristics.

At 31 March 2017, based on a collective assessment of receivables, there are impaired loans and receivables of RM5,111,000 (2016: RM3,568,000) and insurance receivables of RM37,516,000 (2016: RM38,712,000). A reconciliation of the allowance for impairment losses for loans and receivables and insurance receivables are as follows:

	--Loans and receivables--		--Insurance receivables--	
	Group and Company		Group and Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of year	3,568	2,296	38,712	36,389
Charge for the year	1,543	1,272	(1,196)	2,323
At end of year	<u>5,111</u>	<u>3,568</u>	<u>37,516</u>	<u>38,712</u>

**Collateral**

Credit risk is mitigated by entering into collateral agreements. For staff mortgage loans, the legal title of the properties are held as collateral, whilst policy loans are collateralised on the cash value of the related policies.

The Group's and the Company's loans portfolio are generally secured by collateral with maximum loan to value ratio of 90%:

		-----Group and Company-----					
		2017			2016		
Type of collateral		Financial effect of collateral RM'000	Maximum exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000	Financial effect of collateral RM'000	Maximum exposure to credit risk RM'000	Unsecured portion of credit exposure RM'000
Policy loans	Cash value of policies	93,649	93,649	-	97,347	97,347	-
Secured loans	Properties	721	721	-	835	835	-

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**28. FINANCIAL RISK (CONT'D.)**

**(2) Liquidity risk**

Liquidity risk is the risk that an entity, although solvent, either do not have sufficient financial resources available to it in order to meet its obligations when they fall due, or can secure them only at excessive cost.

**Shareholder liquidity risk (liquidity within funds managed for the benefit of shareholders, including shareholders' interests in long-term funds)**

The overall objective of shareholder liquidity risk management is to ensure there are sufficient funds available to meet the cash flow needs of the business. The overall objective of policyholder liquidity risk is to ensure that sufficient liquid funds are available to meet cash flow requirements under all except for the most extreme scenarios (the exception being the property funds where a six months notice period may be imposed for switches and withdrawals). The same is true for liquidity risk in its investors' funds.

The Group and the Company will meet shareholder liquidity needs arising in a number of key areas as described below:

- The ability to support the liquidity requirements arising from new business.
- The capacity to maintain dividend payments/loan repayments and interest payables.
- The ability to cope with the liquidity implications of strategic initiatives, such as merger and acquisition activity.
- The capacity to provide financial support across the Group.
- The ability to fund its day-to-day cash flow requirements.

**Policyholder liquidity risk (liquidity within funds managed for the benefit of policyholders)**

For policyholders' funds, liquidity needs arise from a number of potential areas, including:

- A short-term mismatch between cash flows of assets and cash flow requirements of liabilities.
- Having to realise assets to meet liabilities during stressed market conditions.
- Investments in illiquid assets such as property and private placement debt.
- Higher than expected level of lapses/surrenders caused by economic shock, adverse reputational issues or other events.
- Higher than expected payments of claims on insurance contracts.
- The implementation of temporary restrictions for the withdrawal of funds, as recently applied by extending the notice periods of switches and withdrawals from property funds.

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**28. FINANCIAL RISK (CONT'D.)**

**(2) Liquidity risk (cont'd.)**

Exposure to policyholder liquidity risk can be split between non-linked and linked funds. As a general rule, the Group is more likely to be significantly impacted by policyholder liquidity risk on non-linked funds, as opposed to linked funds where policyholder benefits are expressed directly as units held in an underlying fund.

Liquidity risk is managed in the following ways:

- Forecasts are prepared regularly to predict required liquidity levels over both the short and medium-term.
- Assets of a suitable maturity and marketability are held to meet policyholder liabilities as they fall due.
- Limits and internal asset classes on the level of investments held are set by BNM to ensure amongst other objectives, an appropriate level of exposure to non-liquid assets.

**Expected utilisation or settlement of assets**

The table below summarises the expected utilisation or settlement of assets:

<b>Group</b>	<b>Current*</b>	<b>Non-Current</b>	<b>Unit-linked</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2017</b>				
Financial instruments:				
LAR	219,737	194,370	206	414,313
AFS	40,178	924,976	-	965,154
FVTPL	50,262	1,318,677	93,209	1,462,148
Reinsurance assets	10,061	-	-	10,061
Insurance receivables	91,238	-	-	91,238
Other receivables**	46,653	-	1,091	47,744
Cash and bank balances	26,080	-	10,768	36,848
<b>Total assets</b>	<b>484,209</b>	<b>2,438,023</b>	<b>105,274</b>	<b>3,027,506</b>
<b>2016</b>				
Financial instruments:				
LAR	293,857	198,182	146	492,185
AFS	95,036	784,172	-	879,208
FVTPL	112,356	1,230,090	80,851	1,423,297
Reinsurance assets	15,157	-	-	15,157
Insurance receivables	80,460	-	-	80,460
Other receivables**	45,640	-	-	45,640
Cash and bank balances	68,281	-	20,719	89,000
<b>Total assets</b>	<b>710,787</b>	<b>2,212,444</b>	<b>101,716</b>	<b>3,024,947</b>

\* Expected utilisation or settlement within 12 months from the reporting date.

\*\* Excluded prepayments and tax recoverable.

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**28. FINANCIAL RISK (CONT'D.)**

**(2) Liquidity risk (cont'd.)**

**Expected utilisation or settlement of assets (cont'd.)**

<b>Company</b>	<b>Current*</b> <b>RM'000</b>	<b>Non-Current</b> <b>RM'000</b>	<b>Unit-linked</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>2017</b>				
Financial instruments:				
LAR	180,191	194,370	206	374,767
AFS	40,178	1,276,039	-	1,316,217
FVTPL	50,262	1,009,579	93,209	1,153,050
Reinsurance assets	10,061	-	-	10,061
Insurance receivables	91,238	-	-	91,238
Other receivables**	44,188	-	1,091	45,279
Cash and bank balances	26,080	-	10,768	36,848
<b>Total assets</b>	<b>442,198</b>	<b>2,479,988</b>	<b>105,274</b>	<b>3,027,460</b>
<b>2016</b>				
Financial instruments:				
LAR	291,518	198,182	146	489,846
AFS	95,038	1,128,417	-	1,223,455
FVTPL	59,772	945,967	80,851	1,086,590
Reinsurance assets	15,157	-	-	15,157
Insurance receivables	80,460	-	-	80,460
Other receivables**	37,115	-	-	37,115
Cash and bank balances	68,281	-	20,719	89,000
<b>Total assets</b>	<b>647,341</b>	<b>2,272,566</b>	<b>101,716</b>	<b>3,021,623</b>

\* Expected utilisation or settlement within 12 months from the reporting date.

\*\* Excluded prepayments and tax recoverable.

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**28. FINANCIAL RISK (CONT'D.)**

**(2) Liquidity risk (cont'd.)**

**Maturity profiles**

The table below summarises the maturity profile of the assets and liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

<b>Group</b>	<b>Carrying</b>	<b>Up to</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>5-15 years</b>	<b>Over 15</b>	<b>No maturity</b>	<b>Total</b>
<b>2017</b>	<b>value</b>	<b>a year</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>years</b>	<b>date</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial instruments:								
LAR	414,313	223,376	11,468	100,083	496	161	93,649	429,233
AFS	965,154	86,681	257,598	106,439	619,823	409,227	47,701	1,527,469
FVTPL	1,462,148	123,456	308,670	176,796	980,763	766,560	75,142	2,431,387
Reinsurance assets	10,061	4,892	(2,208)	(3,399)	(19,588)	30,364	-	10,061
Insurance receivables	91,238	91,238	-	-	-	-	-	91,238
Other receivables*	47,744	47,744	-	-	-	-	-	47,744
Cash and bank balances	36,848	36,848	-	-	-	-	-	36,848
<b>Total financial assets</b>	<b>3,027,506</b>	<b>614,235</b>	<b>575,528</b>	<b>379,919</b>	<b>1,581,494</b>	<b>1,206,312</b>	<b>216,492</b>	<b>4,573,980</b>
Insurance contract liabilities	2,463,305	307,192	216,655	343,002	1,267,094	1,704,835	-	3,838,778
Insurance payables	52,698	52,698	-	-	-	-	-	52,698
Other payables	113,016	113,016	-	-	-	-	-	113,016
<b>Total financial liabilities</b>	<b>2,629,019</b>	<b>472,906</b>	<b>216,655</b>	<b>343,002</b>	<b>1,267,094</b>	<b>1,704,835</b>	<b>-</b>	<b>4,004,492</b>

\* Excluded prepayments and tax recoverable.

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**28. FINANCIAL RISK (CONT'D.)**

**(2) Liquidity risk (cont'd.)**

**Maturity profiles (cont'd.)**

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<b>2016</b>								
Financial instruments:								
LAR	492,185	304,940	11,494	104,611	406	409	97,347	519,207
AFS	879,208	131,800	221,227	103,416	392,555	324,468	125,443	1,298,909
FVTPL	1,423,297	169,488	237,815	239,395	762,850	883,388	64,483	2,357,419
Reinsurance assets	15,157	5,119	245	(881)	(10,014)	20,688	-	15,157
Insurance receivables	80,460	80,460	-	-	-	-	-	80,460
Other receivables*	45,640	45,640	-	-	-	-	-	45,640
Cash and bank balances	89,000	89,000	-	-	-	-	-	89,000
<b>Total financial assets</b>	<b>3,024,947</b>	<b>826,447</b>	<b>470,781</b>	<b>446,541</b>	<b>1,145,797</b>	<b>1,228,953</b>	<b>287,273</b>	<b>4,405,792</b>
Insurance contract liabilities	2,534,266	585,440	236,878	299,831	1,390,074	1,863,996	89,071	4,465,290
Insurance payables	39,343	39,343	-	-	-	-	-	39,343
Other payables	134,818	134,818	-	-	-	-	-	134,818
<b>Total financial liabilities</b>	<b>2,708,427</b>	<b>759,601</b>	<b>236,878</b>	<b>299,831</b>	<b>1,390,074</b>	<b>1,863,996</b>	<b>89,071</b>	<b>4,639,451</b>

\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (2) Liquidity risk (cont'd.)

## Maturity profiles (cont'd.)

Company 2017	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial instruments:								
LAR	374,767	183,819	11,468	100,083	496	161	93,649	389,676
AFS	1,316,217	86,681	257,598	106,439	619,823	409,227	398,764	1,878,532
FVTPL	1,153,050	107,312	244,408	122,712	700,239	672,124	75,142	1,921,937
Reinsurance assets	10,061	4,892	(2,208)	(3,399)	(19,588)	30,364	-	10,061
Insurance receivables	91,238	91,238	-	-	-	-	-	91,238
Other receivables*	45,279	45,279	-	-	-	-	-	45,279
Cash and bank balances	36,848	36,848	-	-	-	-	-	36,848
<b>Total financial assets</b>	<b>3,027,460</b>	<b>556,069</b>	<b>511,266</b>	<b>325,835</b>	<b>1,300,970</b>	<b>1,111,876</b>	<b>567,555</b>	<b>4,373,571</b>
Insurance contract liabilities	2,463,305	307,192	216,655	343,002	1,267,094	1,704,835	-	3,838,778
Insurance payables	52,698	52,698	-	-	-	-	-	52,698
Other payables	112,974	112,974	-	-	-	-	-	112,974
<b>Total financial liabilities</b>	<b>2,628,977</b>	<b>472,864</b>	<b>216,655</b>	<b>343,002</b>	<b>1,267,094</b>	<b>1,704,835</b>	<b>-</b>	<b>4,004,450</b>

\* Excluded prepayments and tax recoverable.

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## 28. FINANCIAL RISK (CONT'D.)

## (2) Liquidity risk (cont'd.)

## Maturity profiles (cont'd.)

Company 2016	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial instruments:								
LAR	489,846	302,601	11,494	104,611	406	409	97,347	516,868
AFS	1,223,455	131,800	221,227	103,416	392,555	324,468	469,689	1,643,155
FVTPL	1,086,590	115,149	210,474	136,017	615,699	720,029	64,483	1,861,851
Reinsurance assets	15,157	5,119	245	(881)	(10,014)	20,688	-	15,157
Insurance receivables	80,460	80,460	-	-	-	-	-	80,460
Other receivables*	37,115	37,115	-	-	-	-	-	37,115
Cash and bank balances	89,000	89,000	-	-	-	-	-	89,000
<b>Total financial assets</b>	<b>3,021,623</b>	<b>761,244</b>	<b>443,440</b>	<b>343,163</b>	<b>998,646</b>	<b>1,065,594</b>	<b>631,519</b>	<b>4,243,606</b>
Insurance contract liabilities	2,534,266	585,440	236,878	299,831	1,390,074	1,863,996	89,071	4,465,290
Insurance payables	39,343	39,343	-	-	-	-	-	39,343
Other payables	131,488	131,488	-	-	-	-	-	131,488
<b>Total financial liabilities</b>	<b>2,705,097</b>	<b>756,271</b>	<b>236,878</b>	<b>299,831</b>	<b>1,390,074</b>	<b>1,863,996</b>	<b>89,071</b>	<b>4,636,121</b>

\* Excluded prepayments and tax recoverable.

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**28. FINANCIAL RISK (CONT'D.)**

**(3) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the values of, or the income from, assets or in interest or exchange rates. Market risk includes the following four elements:

- Equity risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in equity prices or income.
- Foreign exchange risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in exchange rates.
- Interest rate risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in interest rates.
- Property risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in real estate values or income.

**(a) Foreign exchange risk (currency risk)**

The Group was exposed to foreign exchange risk in prior years through its investment in foreign operations, fee income derived from financial instruments denominated in currencies other than its functional currency (Ringgit Malaysia), and revenues receivable in foreign currency.

At the end of the current reporting date, the Group has no direct exposure to foreign exchange risk.

The Group does not engage in derivative transactions for speculative purposes.

**(b) Interest rate risk**

The Group is exposed to fair value interest rate risk where changes to interest rates result in changes to fair values rather than cash flows, for example fixed interest rate bonds. Conversely, floating rate loans expose the Group to cash flow interest rate risk.

Bond related performance benchmarks within fund mandates are set so that asset profiles match liability profiles as closely as possible. This mitigates against interest rate risk.

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**28. FINANCIAL RISK (CONT'D.)**

**(3) Market risk (cont'd.)**

**(b) Interest rate risk (cont'd.)**

Day-to-day investment decisions around the management of interest rate risk and its impact on the value of the Group's investments are largely undertaken on behalf of the Group by a related company, AmInvestment, within the boundaries set by fund mandates. In its decision making on fixed income investments, AmInvestment will assess the extent of interest rate risk allowed by the fund as set out in the fund objectives and relative to the defined performance benchmarks. The methodology followed by the Group to manage interest rate risk within each specific fund is an integral part of the asset management approach adopted. Investment policy takes account amongst others the Basis-Point Value ("BPV") to measure the maximum loss of a fixed income portfolio of a 0.01 parallel movement in the yield curve.

The following table demonstrates the sensitivity to a reasonable change in interest rates on the fair value on the debt securities and negotiable instruments of deposits:

	Impact on profit before tax RM'000	Impact on net liabilities RM'000	Impact on equity* RM'000
Group	[----- (Decrease) / Increase -----]		
<b>Changes in interest rates:</b>			
<b>2017</b>			
+100 bps	(122,428)	(137,623)	(946)
-100 bps	122,428	175,072	946
<b>2016</b>			
+100 bps	(98,442)	(151,411)	(1,944)
-100 bps	98,442	191,652	1,944

\* After considering tax effects.

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**28. FINANCIAL RISK (CONT'D.)**

**(3) Market risk (cont'd.)**

**(b) Interest rate risk (cont'd.)**

<b>Company</b>	<b>Impact on profit before tax RM'000</b>	<b>Impact on net liabilities RM'000</b>	<b>Impact on equity* RM'000</b>
	----- (Decrease) / Increase -----		
<b>Changes in interest rates:</b>			
<b>2017</b>			
+100 bps	(96,893)	(137,623)	(946)
-100 bps	96,893	175,072	946
<b>2016</b>			
+100 bps	(80,071)	(151,411)	(1,944)
-100 bps	80,071	191,652	1,944

\* After considering tax effects.

**(c) Equity risk**

Equity risk, as defined above, are accepted in accordance with agreed risk appetite in order to achieve the desired level of return from policyholders' assets.

The management of equity investments is undertaken by the Group. In its decision-making on equity investments, the Group will assess the extent of equity risk required or allowed by the fund as set out in the fund objectives and relative to defined performance benchmarks. The methodology followed by the Group to manage equity risk within each fund is an integral part of the asset management approach adopted. Investment policy takes account amongst others the Value at Risks ("VaR") to measure the maximum loss in market value of an equity portfolio within a given time span and at a given confidence level.

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**28. FINANCIAL RISK (CONT'D.)**

**(3) Market risk (cont'd.)**

**(d) Price risk**

Price risk is the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change in volatility in market indices.

The following table demonstrates the sensitivity to a reasonable change in market indices on the equity securities, as well as unit and property trust funds:

Group and Company	Impact on profit before taxation RM'000	Impact on net liabilities RM'000	Impact on equity RM'000
	----- Increase / (Decrease) -----		
<b>Changes in market indices:</b>			
<b>2017</b>			
KLCI + 15%	-	15,483	-
KLCI - 15%	-	(15,483)	-
	<hr/>	<hr/>	<hr/>
<b>2016</b>			
KLCI + 15%	-	24,793	-
KLCI - 15%	-	(24,793)	-
	<hr/>	<hr/>	<hr/>

**(e) Operational risks**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Board Risk Management Committee ("BRMC") aims to maintain an appropriate control environment to keep the exposure to operational risks in line with the agreed risk appetite, recognising that operational risks may arise in the normal course of business even when carried out in line with the Group's policies and BNM's regulation.

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**28. FINANCIAL RISK (CONT'D.)**

**(4) Fair value of assets**

**(a) Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of its assets by valuation techniques:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of assets recorded at fair value by level of the fair value hierarchy:

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## 28. FINANCIAL RISK (CONT'D.)

## (4) Fair value of assets (cont'd.)

## (a) Fair value hierarchy (cont'd.)

Group	2017				2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b><u>Assets measured at fair value:</u></b>								
<b><u>Financial Assets:</u></b>								
<b>AFS:</b>								
Equity securities:								
Quoted in Malaysia	34,552	-	-	34,552	111,513	-	-	111,513
Unquoted in Malaysia	-	2,147	-	2,147	-	2,147	-	2,147
Malaysian government securities	-	68,935	-	68,935	-	-	-	-
Corporate bonds:								
Unquoted in Malaysia	-	848,519	-	848,519	-	703,712	-	703,712
Unit and property trust funds:								
Quoted in Malaysia	11,001	-	-	11,001	11,782	-	-	11,782
Unquoted in Malaysia	-	-	-	-	-	-	-	-
Negotiable instruments of deposit	-	-	-	-	-	50,054	-	50,054
	<u>45,553</u>	<u>919,601</u>	<u>-</u>	<u>965,154</u>	<u>123,295</u>	<u>755,913</u>	<u>-</u>	<u>879,208</u>

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## 28. FINANCIAL RISK (CONT'D.)

## (4) Fair value of assets (cont'd.)

## (a) Fair value hierarchy (cont'd.)

Group	2017				2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b><u>Assets measured at fair value:</u></b>								
<b><u>Financial Assets:</u></b>								
<b>FVTPL - Held for trading purposes:</b>								
Equity securities:								
Quoted in Malaysia	61,310	-	-	61,310	51,853	-	-	51,853
Malaysian government securities	-	88,114	-	88,114	-	-	-	-
Corporate bonds:								
Unquoted in Malaysia	-	1,298,891	-	1,298,891	-	1,358,814	-	1,358,814
Floating rate negotiable instruments deposit	-	-	-	-	-	-	-	-
Unit and property trust funds:								
Quoted in Malaysia	787	-	-	787	-	-	-	-
Unquoted in Malaysia	-	13,046	-	13,046	-	12,630	-	12,630
	<u>62,097</u>	<u>1,400,051</u>	<u>-</u>	<u>1,462,148</u>	<u>51,853</u>	<u>1,371,444</u>	<u>-</u>	<u>1,423,297</u>
<b><u>Non Financial Assets:</u></b>								
Investment properties	-	-	89,263	89,263	-	-	88,353	88,353

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## 28. FINANCIAL RISK (CONT'D.)

## (4) Fair value of assets (cont'd.)

## (a) Fair value hierarchy (cont'd.)

Company	2017				2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets measured at fair value:</u>								
<u>Financial Assets:</u>								
AFS:								
Equity securities:								
Quoted in Malaysia	34,552	-	-	34,552	111,513	-	-	111,513
Unquoted in Malaysia	-	2,147	-	2,147	-	2,147	-	2,147
Malaysian government securities	-	68,935	-	68,935	-	-	-	-
Corporate bonds:								
Unquoted in Malaysia	-	848,519	-	848,519	-	703,712	-	703,712
Unit and property trust funds:								
Quoted in Malaysia	11,001	-	-	11,001	11,782	-	-	11,782
Unquoted in Malaysia	-	-	-	-	-	-	-	-
Wholesale fund	-	351,063	-	351,063	-	344,247	-	344,247
Negotiable instruments of deposit	-	-	-	-	-	50,054	-	50,054
	<u>45,553</u>	<u>1,270,664</u>	<u>-</u>	<u>1,316,217</u>	<u>123,295</u>	<u>1,100,160</u>	<u>-</u>	<u>1,223,455</u>

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## 28. FINANCIAL RISK (CONT'D.)

## (4) Fair value of assets (cont'd.)

## (a) Fair value hierarchy (cont'd.)

Company	2017				2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b><u>Assets measured at fair value:</u></b>								
<b><u>Financial Assets:</u></b>								
<b>FVTPL - Held for trading purposes:</b>								
Equity securities:								
Quoted in Malaysia	61,310	-	-	61,310	51,853	-	-	51,853
Malaysian government securities	-	88,114	-	88,114	-	-	-	-
Corporate bonds:								
Unquoted in Malaysia	-	989,793	-	989,793	-	1,022,107	-	1,022,107
Floating rate negotiable instruments deposit	-	-	-	-	-	-	-	-
Unit and property trust funds:								
Quoted in Malaysia	787	-	-	787	-	-	-	-
Unquoted in Malaysia	-	13,046	-	13,046	-	12,630	-	12,630
	<u>62,097</u>	<u>1,090,953</u>	<u>-</u>	<u>1,153,050</u>	<u>51,853</u>	<u>1,034,737</u>	<u>-</u>	<u>1,086,590</u>
<b><u>Non Financial Assets:</u></b>								
Investment properties	-	-	89,263	89,263	-	-	88,353	88,353

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## 28. FINANCIAL RISK (CONT'D.)

## (4) Fair value of assets (cont'd.)

## (b) Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at	Valuation techniques	Unobservable inputs	Range (weighted average)
	2017 RM'000			
<b><u>Investment properties</u></b>				
Commercial properties	89,263	Comparison approach	Estimated value p.s.f	RM110 - RM615
Description	Fair value as at	Valuation techniques	Unobservable inputs	Range (weighted average)
	2016 RM'000			
<b><u>Investment properties</u></b>				
Commercial properties	88,353	Comparison approach	Estimated value p.s.f	RM95 - RM598

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**28. FINANCIAL RISK (CONT'D.)**

**(4) Fair value of assets (cont'd.)**

**(c) Movements in Level 3 assets and liabilities measured at fair value:**

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3)

**Group and Company**

	<b>Investment Properties</b>	
	<b>Fair value measurement using significant unobservable inputs (Level 3)</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Opening balance</b>	88,353	84,345
Total gain for the year:		
Included in income statements	<u>910</u>	<u>4,008</u>
<b>Closing balance</b>	<u><u>89,263</u></u>	<u><u>88,353</u></u>

For investments properties, a significant increase/(decrease) in unobservable inputs would result in a significantly (lower)/higher fair value measurement.

	<b>Investment Properties</b>	
	<b>Fair value measurement using significant unobservable inputs (Level 3)</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Total gain for the year included in:		
Income Statements		
- Gain on changes in fair value	<u>910</u>	<u>4,008</u>

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**28. FINANCIAL RISK (CONT'D.)**

**(4) Fair value of assets (cont'd.)**

**(c) Determination of fair value**

The following methods and assumptions were used to estimate the fair value:

- The fair value of financial assets such as equity securities, that are actively traded in organised financial markets is determined by reference to quoted prices for assets at the close of business on the reporting date.
- For investments in unit, real estate investment trusts and wholesale unit trust fund, fair value is determined by reference to published net asset values. Investments in equity that do not have quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost less impairment losses.
- For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM").
- If the fair value cannot be measured reliably, financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instruments or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.
- The fair value of Negotiable Instruments of Deposit ("NID") are based on broker quotes, whereas the fair value of fixed interest/yield bearing deposits is the principal itself.
- The fair value of investment properties are determined using the bases disclosed in Note 5.

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**29. REGULATORY CAPITAL REQUIREMENTS**

The total capital available of the Company as at 31 March 2017 as prescribed under the RBC framework is provided below:

<b>Company</b>	<b>2017</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Share capital (paid up)	200,000	200,000
Reserves, including retained earnings	690,909	559,333
	<u>890,909</u>	<u>759,333</u>
<b>Tier 2 Capital</b>		
Eligible reserves	3,069	7,198
	<u>3,069</u>	<u>7,198</u>
Amount deducted from capital	(35,201)	(28,613)
<b>Total capital available</b>	<u>858,777</u>	<u>737,918</u>

**30. COMMITMENT AND CONTINGENCIES**

**Complaints from policyholders relating to alleged mis-selling**

Since the last financial year end until the reporting date, AmMetLife Insurance Berhad had received complaints from 64 policyholders relating to the alleged mis-selling of a certain insurance product of AmMetLife. AMAB and MetLife are working jointly in the process of investigating these complaints and assessing any financial impact thereon.

Under the terms for the sale by AMAB to MetLife of shares in the Group, AMAB would fully indemnify MetLife or the Group from any losses arising from incidences of mis-selling of certain specified insurance products occurring prior to the share sale.

**31. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in order to conform to changes in the current year's presentation. These reclassifications have no financial impact on the statements of financial position, the income statements, the statements of changes in equity and statements of cash flow of the Company.

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**32. INSURANCE FUNDS**

The Group's and the Company's activities are organised by funds and segregated into the Shareholders', Life and Investment-linked funds in accordance with the Financial Services Act, 2013. The Statements of Financial Position and Income Statements by funds are presented as follows:

**Statements of Financial Position by Funds**  
**As at 31 March 2017**

	Shareholders' Fund		Life Fund		Unit-linked		Elimination*		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>										
Property and equipment	-	-	41,094	46,475	-	-	-	-	41,094	46,475
Investment properties	-	-	89,263	88,353	-	-	-	-	89,263	88,353
Intangible assets	-	-	35,201	28,613	-	-	-	-	35,201	28,613
Investments	383,694	365,445	2,373,484	2,356,610	93,415	80,997	(8,978)	(8,362)	2,841,615	2,794,690
Reinsurance assets										
assets	-	-	10,061	15,157	-	-	-	-	10,061	15,157
Insurance receivables	-	-	91,238	80,460	-	-	-	-	91,238	80,460
Other receivables	26,511	25,949	29,321	31,011	1,322	647	-	-	57,154	57,607
Cash and bank balances	-	(2,516)	26,080	70,797	10,768	20,719	-	-	36,848	89,000
Interfund balances	-	-	11,093	10,111	414	285	(11,507)	(10,396)	-	-
<b>Total assets</b>	<b>410,205</b>	<b>388,878</b>	<b>2,706,835</b>	<b>2,727,587</b>	<b>105,919</b>	<b>102,648</b>	<b>(20,485)</b>	<b>(18,758)</b>	<b>3,202,474</b>	<b>3,200,355</b>

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## 32. INSURANCE FUNDS (CONT'D.)

Statements of Financial Position by Funds  
As at 31 March 2017 (cont'd.)

Group	Shareholders' Fund		Life Fund		Unit-linked		Elimination*		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Equity</b>										
Share capital	200,000	200,000	-	-	-	-	-	-	200,000	200,000
Retained profits	178,202	162,330	142,647	93,927	-	-	2,642	1,862	323,491	258,119
AFS fair value reserves	2,048	1,415	(24)	(143)	-	-	(2,048)	(1,415)	(24)	(143)
<b>Total equity</b>	<b>380,250</b>	<b>363,745</b>	<b>142,623</b>	<b>93,784</b>	<b>-</b>	<b>-</b>	<b>594</b>	<b>447</b>	<b>523,467</b>	<b>457,976</b>
<b>Liabilities</b>										
Insurance contract liabilities	-	2,031	2,367,845	2,440,469	104,438	100,128	(8,978)	(8,362)	2,463,305	2,534,266
Deferred tax liabilities	595	447	49,033	33,216	358	(10)	(594)	(447)	49,392	33,206
Insurance payables	-	-	52,698	39,343	-	-	-	-	52,698	39,343
Provision for taxation	-	-	-	-	596	746	-	-	596	746
Other payables	17,853	12,259	94,636	120,775	527	1,784	-	-	113,016	134,818
Interfund balances	11,507	10,396	-	-	-	-	(11,507)	(10,396)	-	-
<b>Total liabilities</b>	<b>29,955</b>	<b>25,133</b>	<b>2,564,212</b>	<b>2,633,803</b>	<b>105,919</b>	<b>102,648</b>	<b>(21,079)</b>	<b>(19,205)</b>	<b>2,679,007</b>	<b>2,742,379</b>
<b>Total equity and liabilities</b>	<b>410,205</b>	<b>388,878</b>	<b>2,706,835</b>	<b>2,727,587</b>	<b>105,919</b>	<b>102,648</b>	<b>(20,485)</b>	<b>(18,758)</b>	<b>3,202,474</b>	<b>3,200,355</b>

\* Refers to elimination of interfund balances.

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## 32. INSURANCE FUNDS (CONT'D.)

Statements of Financial Position by Funds  
As at 31 March 2017 (cont'd.)

	Shareholders' Fund		Life Fund		Unit-linked		Elimination*		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Company</b>										
<b>Assets</b>										
Property and equipment	-	-	41,094	46,475	-	-	-	-	41,094	46,475
Investment properties	-	-	89,263	88,353	-	-	-	-	89,263	88,353
Intangible assets	-	-	35,201	28,613	-	-	-	-	35,201	28,613
Investments	386,113	370,646	2,373,484	2,356,610	93,415	80,997	(8,978)	(8,362)	2,844,034	2,799,891
Reinsurance assets	-	-	10,061	15,157	-	-	-	-	10,061	15,157
Insurance receivables	-	-	91,238	80,460	-	-	-	-	91,238	80,460
Other receivables	24,043	17,424	29,321	31,011	1,322	647	-	-	54,686	49,082
Cash and bank balances	-	(2,516)	26,080	70,797	10,768	20,719	-	-	36,848	89,000
Interfund balances	-	-	11,093	10,111	414	285	(11,507)	(10,396)	-	-
<b>Total assets</b>	<b>410,156</b>	<b>385,554</b>	<b>2,706,835</b>	<b>2,727,587</b>	<b>105,919</b>	<b>102,648</b>	<b>(20,485)</b>	<b>(18,758)</b>	<b>3,202,425</b>	<b>3,197,031</b>
<b>Equity</b>										
Share capital	200,000	200,000	-	-	-	-	-	-	200,000	200,000
Retained profits	180,220	163,585	142,647	93,927	-	-	2,642	1,862	325,509	259,374
AFS fair value reserves	509	466	(24)	(143)	-	-	(2,048)	(1,415)	(1,563)	(1,092)
<b>Total equity</b>	<b>380,729</b>	<b>364,051</b>	<b>142,623</b>	<b>93,784</b>	<b>-</b>	<b>-</b>	<b>594</b>	<b>447</b>	<b>523,946</b>	<b>458,282</b>
<b>Liabilities</b>										
Insurance contract liabilities	-	2,031	2,367,845	2,440,469	104,438	100,128	(8,978)	(8,362)	2,463,305	2,534,266
Deferred tax liabilities	109	147	49,033	33,216	358	(10)	(594)	(447)	48,906	32,906
Insurance payables	-	-	52,698	39,343	-	-	-	-	52,698	39,343
Provision for taxation	-	-	-	-	596	746	-	-	596	746
Other payables	17,811	8,929	94,636	120,775	527	1,784	-	-	112,974	131,488
Interfund balances	11,507	10,396	-	-	-	-	(11,507)	(10,396)	-	-
<b>Total liabilities</b>	<b>29,427</b>	<b>21,503</b>	<b>2,564,212</b>	<b>2,633,803</b>	<b>105,919</b>	<b>102,648</b>	<b>(21,079)</b>	<b>(19,205)</b>	<b>2,678,479</b>	<b>2,738,749</b>
<b>Total equity and liabilities</b>	<b>410,156</b>	<b>385,554</b>	<b>2,706,835</b>	<b>2,727,587</b>	<b>105,919</b>	<b>102,648</b>	<b>(20,485)</b>	<b>(18,758)</b>	<b>3,202,425</b>	<b>3,197,031</b>

\* Refers to elimination of interfund balances.

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## 32. INSURANCE FUNDS (CONT'D.)

Income Statements by Funds  
For the year ended 31 March 2017

Group	Shareholders' Fund		Life Fund		Unit-linked		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross earned premiums	-	-	362,522	407,467	28,815	30,244	391,337	437,711
Premiums ceded to reinsurers	-	-	(44,385)	(39,224)	-	-	(44,385)	(39,224)
<b>Net earned premiums</b>	-	-	<b>318,137</b>	<b>368,243</b>	<b>28,815</b>	<b>30,244</b>	<b>346,952</b>	<b>398,487</b>
Investment income	17,116	16,111	127,798	129,445	4,011	3,055	148,925	148,611
Realised gains and losses	(1,299)	634	(4,225)	(687)	(2)	1,955	(5,526)	1,902
Fair value gains and losses	294	2,393	(9,495)	(9,181)	3,443	(2,535)	(5,542)	(9,323)
Other operating income	14,093	-	19	55	38	36	14,150	91
<b>Other revenue</b>	<b>30,204</b>	<b>19,138</b>	<b>114,097</b>	<b>119,632</b>	<b>7,490</b>	<b>2,511</b>	<b>152,007</b>	<b>141,281</b>
Gross benefits and claims	-	(2,031)	(319,426)	(378,376)	(15,521)	(21,089)	(334,947)	(401,496)
Claims ceded to reinsurers	-	-	31,380	35,809	-	-	31,380	35,809
Gross change to contract liabilities	-	-	70,097	11,336	(4,310)	793	66,403	12,041
Change in contract liabilities ceded to reinsurers	-	-	(2,969)	1,829	-	-	(2,969)	1,829
<b>Net benefits and claims</b>	-	<b>(2,031)</b>	<b>(220,918)</b>	<b>(329,402)</b>	<b>(19,831)</b>	<b>(20,296)</b>	<b>(240,133)</b>	<b>(351,817)</b>
Fee and commission expenses	-	-	(24,697)	(23,103)	(15,937)	(12,292)	(40,634)	(35,395)
Management expenses	(2,462)	(12,047)	(128,331)	(135,439)	(57)	(105)	(130,850)	(147,591)
Taxation of life insurance business	-	-	(5,639)	(4,566)	(480)	(62)	(6,119)	(4,628)
<b>Other expenses</b>	<b>(2,462)</b>	<b>(12,047)</b>	<b>(158,667)</b>	<b>(163,108)</b>	<b>(16,474)</b>	<b>(12,459)</b>	<b>(177,603)</b>	<b>(187,614)</b>

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## 32. INSURANCE FUNDS (CONT'D.)

Income Statements by Funds  
For the year ended 31 March 2017 (cont'd.)

Group	Shareholders' Fund		Life Fund		Unit-linked		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(loss) from operations	27,742	5,060	52,649	(4,635)	-	-	81,223	337
Transfer from Shareholder Fund	(11,455)	(2,698)	11,455	2,698	-	-	-	-
Profit/(loss) from operations after transfer	16,287	2,362	64,104	(1,937)	-	-	81,223	337
Transfer from Life Insurance Fund*	64,104	(1,937)	(64,104)	1,937	-	-	-	-
Profit/(loss) before taxation	80,391	425	-	-	-	-	81,223	337
Taxation	(15,799)	977	-	-	-	-	(15,851)	977
Net profit/(loss) for the year	64,592	1,402	-	-	-	-	65,372	1,314

\* The amount transferred from the Life Insurance Fund to the Shareholders' Fund is net of tax.

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## 32. INSURANCE FUNDS (CONT'D.)

Income Statements by Funds  
For the year ended 31 March 2017 (cont'd.)

Company	Shareholders' Fund		Life Fund		Unit-linked		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross earned premiums	-	-	362,522	407,467	28,815	30,244	391,337	437,711
Premiums ceded to reinsurers	-	-	(44,385)	(39,224)	-	-	(44,385)	(39,224)
<b>Net earned premiums</b>	-	-	<b>318,137</b>	<b>368,243</b>	<b>28,815</b>	<b>30,244</b>	<b>346,952</b>	<b>398,487</b>
Investment income	16,728	16,287	127,798	129,445	4,011	3,055	148,537	148,787
Realised gains and losses	(22)	92	(4,225)	(687)	(2)	1,955	(4,249)	1,360
Fair value gains and losses	(216)	-	(9,495)	(9,181)	3,443	(2,535)	(6,052)	(11,716)
Other operating income	14,093	-	19	55	38	36	14,150	91
<b>Other revenue</b>	<b>30,583</b>	<b>16,379</b>	<b>114,097</b>	<b>119,632</b>	<b>7,490</b>	<b>2,511</b>	<b>152,386</b>	<b>138,522</b>
Gross benefits and claims	-	(2,031)	(319,426)	(378,376)	(15,521)	(21,089)	(334,947)	(401,496)
Claims ceded to reinsurers	-	-	31,380	35,809	-	-	31,380	35,809
Gross change to contract liabilities	-	-	70,097	11,336	(4,310)	793	66,403	12,041
Change in contract liabilities ceded to reinsurers	-	-	(2,969)	1,829	-	-	(2,969)	1,829
<b>Net benefits and claims</b>	-	<b>(2,031)</b>	<b>(220,918)</b>	<b>(329,402)</b>	<b>(19,831)</b>	<b>(20,296)</b>	<b>(240,133)</b>	<b>(351,817)</b>
Fee and commission expenses	-	-	(24,697)	(23,103)	(15,937)	(12,292)	(40,634)	(35,395)
Management expenses	(2,078)	(11,680)	(128,331)	(135,439)	(57)	(105)	(130,466)	(147,224)
Taxation of life insurance business	-	-	(5,639)	(4,566)	(480)	(62)	(6,119)	(4,628)
<b>Other expenses</b>	<b>(2,078)</b>	<b>(11,680)</b>	<b>(158,667)</b>	<b>(163,108)</b>	<b>(16,474)</b>	<b>(12,459)</b>	<b>(177,219)</b>	<b>(187,247)</b>

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## 32. INSURANCE FUNDS (CONT'D.)

Income Statements by Funds  
For the year ended 31 March 2017 (cont'd.)

Company	Shareholders' Fund		Life Fund		Unit-linked		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(loss) from operations	28,505	2,668	52,649	(4,635)	-	-	81,986	(2,055)
Transfer from Shareholder Fund	(11,455)	(2,698)	11,455	2,698	-	-	-	-
Profit/(loss) from operations after transfer	17,050	(30)	64,104	(1,937)	-	-	81,986	(2,055)
Transfer from Life Insurance Fund*	64,104	(1,937)	(64,104)	1,937	-	-	-	-
Profit before taxation	81,154	(1,967)	-	-	-	-	81,986	(2,055)
Taxation	(15,799)	977	-	-	-	-	(15,851)	977
Net profit for the year	65,355	(990)	-	-	-	-	66,135	(1,078)

\* The amount transferred to the Life Insurance Fund from the Shareholders' Fund is net of tax.

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## 32. INSURANCE FUNDS (CONT'D.)

Information on Cash Flows by Funds  
For the year ended 31 March 2017

Group	Shareholders' Fund		Life Fund		Unit-linked		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Net cash flows from:</b>								
Operating activities	47,757	667	(45,720)	(21,166)	(9,891)	9,310	(7,854)	(21,147)
Investing activities	-	-	(18,315)	(33,287)	-	-	(18,315)	(33,287)
Financing activities	-	-	-	(71)	-	-	-	(71)
Net increase/(decrease) in cash and cash equivalents	47,757	667	(64,035)	(54,524)	(9,891)	9,310	(26,169)	(54,505)
Cash and cash equivalents at beginning of year	17,860	17,264	242,796	297,249	20,865	11,555	281,521	336,026
Cash and cash equivalents at end of year	65,618	17,860	178,760	242,796	10,974	20,865	255,352	281,521
Short term deposits	65,618	20,376	152,680	171,999	206	146	218,504	192,521
Cash and bank balances	-	(2,516)	26,080	70,797	10,768	20,719	36,848	89,000
	65,618	17,860	178,760	242,796	10,974	20,865	255,352	281,521
Company	Shareholders' Fund		Life Fund		Unit-linked		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Net cash flows from:</b>								
Operating activities	10,550	346	(45,722)	(21,166)	(9,891)	9,310	(45,061)	(11,510)
Investing activities	-	-	(18,314)	(33,287)	-	-	(18,315)	(33,287)
Financing activities	-	(71)	-	-	-	-	-	(71)
Net increase/(decrease) in cash and cash equivalents	10,550	275	(64,036)	(54,453)	(9,891)	9,310	(63,376)	(44,868)
Cash and cash equivalents at beginning of year	15,521	15,246	242,796	297,249	20,865	11,555	279,182	324,050
Cash and cash equivalents at end of year	26,072	15,521	178,760	242,796	10,974	20,865	215,806	279,182
Short term deposits	26,072	18,037	152,680	171,999	206	146	178,958	190,182
Cash and bank balances	-	(2,516)	26,080	70,797	10,768	20,719	36,848	89,000
	26,072	15,521	178,760	242,796	10,974	20,865	215,806	279,182