ETIQA TAKAFUL BERHAD
(266243-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2015

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CONTENTS

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the management of general takaful, family takaful and takaful investment-linked businesses.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	RM'000
Net profit for the financial year	142,320

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 the operations 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 the payment of any final dividend in respect of the current financial year.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")

The Maybank Group ESS is governed by the by-laws approved by the shareholders of the ultimate holding company, Malayan Banking Berhad ("MBB"), at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within the MBB Group.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D.)

The maximum number of ordinary shares of RM1 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme.

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Salleh Hj Harun (Chairman)
Gary Lee Crist (Vice Chairman)
Dato' Johan Ariffin
Zainal Abidin Jamal
Loh Lee Soon
Frank J.G. Van Kempen
Dr. Ismail Mohd @ Abu Hassan
Koh Heng Kong

Pursuant to Article 96 of the Company's Articles of Association, Mr. Gary Lee Crist and Mr. Frank Van Kempen shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

SHARIAH COMMITTEE

The Company is advised by a Shariah Committee ("SC"). The composition of the SC and the attendance of the members of SC are as follows:

	Number of SC meetings attended	%
Dr. Ahcene Lahsasna (Chairman)	9/11	82
Dr. Ismail Mohd @ Abu Hassan	11/11	100
Dr. Mohammad Deen Mohd Napiah	11/11	100
Dr. Sarip Bin Adul	10/11	91
Ahmad Jailani Bin Abdul Ghani (Appointed on 1 June 2015)	6/6	100
Tan Sri Dato' Seri (Dr.) Haji Harussani Haji Zakaria (Retired on 31 May 2015)	5/5	100

The SC met 11 times during the year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ESS of the ultimate holding company, MBB.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, as disclosed in Notes 27, 28 and 38 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares pursuant to the Employee Share Option Scheme ("ESOS") and Restricted Share Units ("RSU") of the ultimate holding company, MBB, during the financial year were as follows:

	Numbers of ordinary shares of RM1 each			
	As at	Issued pursuant to		As at
	1.1.2015	RSU	DRP*	31.12.2015
Direct Interest:				
Dato' Mohd Salleh Hj Harun	354,132	-	19,053	373,185
Dato' Johan Ariffin	263,001	-	14,150	277,151

*DRP = Dividend Reinvestment Plan

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is commited to ensuring that the highest standards of corporate governance are practised by the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the the Company.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Islamic Financial Services Act 2013, and Bank Negara Malaysia's ("BNM") Policy Documents, including BNM/RH/GL 004-1: *Guidelines on Directorship for Takaful Operators*. It also complies with the tenets of corporate governance by adopting its best practices as stipulated under BNM/RH/GL 003-2: *Prudential Framework of Corporate Governance for Insurers*.

Apart from its statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. It ensures the implementation of appropriate systems to manage risks and also reviews and approves the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various Committees.

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

The Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The composition of the Board and the attendance of the directors are as follows:

	Number of Board meetings attended	%
Dato' Mohd Salleh Hj Harun (Chairman)	8/8	100
Gary Lee Crist (Vice Chairman)	6/8	75
Dato' Johan Ariffin	7/8	88
Zainal Abidin Jamal	8/8	100
Loh Lee Soon	8/8	100
Frank J.G. Van Kempen	8/8	100
Dr. Ismail Mohd @ Abu Hassan	8/8	100
Koh Heng Kong	8/8	100

The Board met 8 times during the year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(b) Management Accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(c) Corporate Independence

Significant related party transactions and balances are disclosed in Note 38 to the financial statements.

(d) Internal Controls and Audit

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action, where necessary, is taken in a timely manner.

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned.

The AC is established at the level of the holding company, Maybank Ageas Holdings Berhad ("MAHB").

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(d) Internal Controls and Audit (cont'd.)

The composition of the AC and the attendance of the members of the AC are as follows:

	Number of AC meetings attended	%
Loh Lee Soon (Chairman) Independent Non-Executive Director	7/7	100
Gary Lee Crist Non-Independent Non-Executive Director	6/7	86
Koh Heng Kong Independent Non-Executive Director	7/7	100

The AC met 7 times during the year.

(e) Risk Management

The Board established the Risk Management Committee ("RMC") to support sound corporate governance and processes. The primary objective of the RMC is to oversee senior management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The RMC is established at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") established by the management.

The SC, set up in compliance with the Islamic Financial Services Act 2013, will oversee the operations of the Company to ensure that they are in line with the principles of Shariah.

The risk management framework of the Company comprises three main components i.e. policy-making, monitoring and control and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking units, risk control units and internal audit. Risks have been classified into major risk categories, which are made up of financial, takaful operational, enterprise and shariah risks.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(e) Risk Management (cont'd.)

There is an on-going process in identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the RMC established at MAHB and the attendance of the members of the RMC are as follows:

	Number of RMC meetings attended	%
Datuk R. Karunakaran (Chairman) Independent Non-Executive Director	6/6	100
Gary Lee Crist Non-Independent Non-Executive Director	3/6	50
Koh Heng Kong Independent Non-Executive Director	6/6	100

The RMC met 6 times during the year.

(f) Nomination and Remuneration Committee

The Company will continue to leverage on the existing Nomination and Remuneration Committee of the Board ("NRC") which had taken effect as a merged committee of the ultimate holding company, MBB, on 27 May 2010 as part of its governance structure.

The primary objective of the NRC is to establish a documented, formal and transparent procedure for the appointment of directors and the Chief Executive Officer ("CEO") and key senior officers as well as the assessment of the effectiveness of individual directors, the Board as a whole and the performance of the CEO and key senior officers.

Further, the NRC is also responsible to provide a formal and transparent procedure in developing remuneration policies for directors, the CEO and key senior officers and ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(f) Nomination and Remuneration Committee (cont'd.)

The composition of the NRC and the attendance of the members of the NRC are as follows:

	Number of NRC meetings attended	%
Dato' Seri Ismail Shahudin (Chairman) (Appointed on 18 November 2015) Independent Non-Executive Director	2/2	100
Dato' Dr. Tan Tat Wai Independent Non-Executive Director	11/11	100
Datuk R. Karunakaran Independent Non-Executive Director	10/11	91
Bapak Edwin Gerungan (Appointed on 13 October 2015) Non-independent Non-Executive Director	3/3	100
Dato' Mohd Salleh Hj Harun (Resigned on 17 November 2015) Independent Non-Executive Director	10/10	100
Tan Sri Dr. Hadenan A. Jalil (Resigned on 17 November 2015) Independent Non-Executive Director	4/10	40

The NRC met 11 times during the year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(g) Investment Committee

The Investment Committee ("IC") is established at the level of the holding company, MAHB and reports to the Boards of Directors of Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB").

The objectives of the IC include:

(i) to present an opinion on the long-term strategic investment policy including real estate, as a recommendation to the Risk Management Meeting ("RMM")/RMC/Board based on the ALCO's advice;

(ii) to establish tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM");

(iii) to test the policy conducted by the investment manager against the strategic and tactical investment policy;

(iv) to evaluate, review and maintain the Investment Management Guidelines ("IMG"), based on ALCO's advice;

(v) to evaluate, negotiate conditions with, appoint or dismiss external fund managers, custodians, banks and other financial intermediaries;

(vi) to assess investment performance of proprietary portfolios and unit linked funds; and

(vii) to discuss peer review on investment performance.

The composition of the IC and the attendance of the members of IC are as follows:

	Number of IC meetings attended	**%**
Datuk Abdul Farid Alias (Chairman) Non-Independent Executive Director	2/4	50
Frank J.G. Van Kempen Non-Independent Non-Executive Director	4/4	100
Datuk R. Karunakaran Independent Non-Executive Director	3/4	75

The IC met 4 times during the year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(h) Board Oversight Committee on Re-organisation of Entities Pursuant to the Financial Services Act 2013 ("FSA") and the Islamic Financial Services Act 2013 ("IFSA") ("BOC FSA and IFSA")

BOC FSA and IFSA carries an oversight function on the re-organisation of Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB") under the FSA and IFSA.

In this objective, the BOC FSA and IFSA is responsible in revising the MAHB Group's functional structure to ensure compliance with the FSA and the IFSA in a manner that would promote growth sustainability.

The BOC FSA and IFSA reports to the Board of EIB and ETB respectively.

The composition of the BOC FSA and IFSA and the attendance of its members are as follows:

	Number of BOC FSA and IFSA meetings attended	**%**
Zainal Abidin Jamal (Chairman) Non-Independent Non-Executive Director	9/9	100
Frank J.G. Van Kempen Non-Independent Non-Executive Director	8/9	89
Koh Heng Kong Non-Executive Board member	9/9	100

The BOC FSA and IFSA met 9 times during the year.

(i) Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(j) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements. The AC of the Board assists by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness.

FINANCIAL HOLDING COMPANY

The financial holding company is Maybank Ageas Holdings Berhad ("MAHB").

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard MAHB, a company incorporated in Malaysia, as the Company's immediate holding company and MBB, a company incorporated in Malaysia as the ultimate holding company.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position and income statement 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;

   (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 business had been written down to an amount which they might be expected so to realise; and

   (iii) to ascertain that there was adequate provision for takaful contract liabilities in accordance with the valuation methods prescribed specified in Part B of the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by BNM.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION (CONT'D.)

(b) At the date of this report, the directors are not aware of any circumstances 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 Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(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 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 Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets 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 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 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 Company for the financial year in which this report is made.

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

SIGNIFICANT/SUBSEQUENT EVENT

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2016.

Loh Lee Soon

Dr. Ismail Mohd @ Abu Hassan

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Loh Lee Soon and Dr. Ismail Mohd @ Abu Hassan, being two of the directors of Etiqa Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 19 to 183 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2016.

Loh Lee Soon

Dr. Ismail Mohd @ Abu Hassan

Kuala Lumpur, Malaysia
23 February 2016

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ahmad Rizlan Azman, being the Officer primarily responsible for the financial management of Etiqa Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 183 are in my opinion 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 above named Ahmad Rizlan Azman at Kuala Lumpur in Wilayah Persekutuan on 23 February 2016

Ahmad Rizlan Azman

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
MALAYSIA

Before me,

Commissioner for Oaths

No.10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE
In the name of Allah, the Beneficent, the Merciful

We, Dr. Ahcene Lahsasna and Dr. Mohammad Deen Mohd Napiah, being two of the members of the Shariah Committee of Etiqa Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief:

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2015. We have also conducted our review to form an opinion pursuant to Section 30(1) of the Islamic Financial Services Act 2013 ("IFSA"), as to whether the Company has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia ("BNM"), Shariah standards issued by BNM pursuant to Section 29 of the IFSA, relevant guidelines and circulars issued by BNM, Shariah rulings issued by the Shariah Advisory Council of Securities Commission (for capital market related matters) as well as Shariah decisions resolved by us.

The management of the Company is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to express an independent opinion based on our review of the operations of the Company.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, the relevant type of transactions, documentations and procedures adopted by the Company.

We obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the rules and principles of Shariah.

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2015 that we have reviewed are in compliance with Shariah principles;

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

3. the sharing of surplus arising from the tabarru fund (Participants' Risk Fund) conforms with the respective internal policies and approved by us;

4. all earnings that have been realised from sources or by means prohibited by the principles of Shariah have been put aside in a separate account for disposal to charitable causes; and

5. the calculation, payment and distribution of business zakat and distribution of Amal Jariah fund is in compliance with the principles of Shariah.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONT'D.)

In the name of Allah, the Beneficent, the Merciful

This opinion is rendered based on what has been presented to us by the management of the Company and its Shariah Division. All in all, we, the members of the Shariah Committee of Etiqa Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the financial year ended 31 December 2015 have been conducted in conformity with the rules and principles of Shariah.

They said, "Exalted are You (Allah); we have no knowledge except what You have taught us. Indeed, it is You who is the Knowing, the Wise." (Surah al-Baqarah, chapter 2, verse 32)

Allah knows best.

Signed on behalf of the Committee.

Dr. Ahcene Lahsasna

Dr. Mohammad Deen Mohd Napiah

Kuala Lumpur, Malaysia
23 February 2016

Building a better
working world

Ernst & Young AF: 0039
GST Reg No: 001556430848
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

266243-D

Independent auditors' report to the member of
Etiqa Takaful Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Etiqa Takaful Berhad, which comprise the statement of financial position as at 31 December 2015 the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 183.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

266243-D

Independent auditors' report to the member of
Etiqa Takaful Berhad (Cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the year ended 31 December 2015 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 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

Yeo Beng Yean
No. 3013/10/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2016

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31.12.2015				31.12.2014			
		Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
ASSETS									
Property, plant and equipment	3	816	-	-	816	1,234	-	-	1,234
Intangible assets	4	5,381	-	-	5,381	5,819	-	-	5,819
Investments	5	2,036,420	1,596,575	8,716,748	12,327,627	1,811,895	1,457,038	8,152,396	11,400,110
Financing receivables	6	19,924	-	3,300	23,224	20,167	-	7,300	27,467
Retakaful assets	7	-	200,860	36,129	236,989	-	252,566	14,798	267,364
Takaful receivables	8	-	85,479	89,732	175,211	-	59,729	107,148	166,877
Other receivables	9	246,215	17,372	90,809	149,889	265,528	14,585	186,935	229,048
Deferred tax assets	16	12,719	5,835	5,274	23,828	12,113	3,957	14,662	30,732
Qard receivable		36,684	-	-	-	36,684	-	-	-
Current tax assets		4,396	3,883	20,335	28,614	-	-	-	-
Cash and bank balances		14,326	51,037	61,178	126,541	21,205	49,573	49,798	120,576
Total assets		2,376,881	1,961,041	9,023,505	13,098,120	2,174,645	1,837,448	8,533,037	12,249,227
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS									
Equity									
Share capital	10	400,000	-	-	400,000	400,000	-	-	400,000
Reserves	11	1,133,721	-	-	1,132,605	989,326	-	-	989,107
Total equity		1,533,721	-	-	1,532,605	1,389,326	-	-	1,389,107
Liabilities and Participants' Funds									
Participants' funds	12	-	116,893	2,521,759	2,638,652	-	181,700	2,266,950	2,448,650
Takaful certificate liabilities	13	-	1,505,903	6,135,081	7,619,984	-	1,395,720	5,894,921	7,269,641
Qard payable		-	-	36,684	-	-	-	36,684	-
Subordinated obligation	14	300,000	-	-	300,000	300,000	-	-	300,000
Expense liabilities	15	470,531	-	-	470,531	397,742	-	-	397,742
Takaful payables	17	6,034	41,729	38,854	86,617	7,552	45,618	54,302	107,472
Other payables	18	65,406	296,516	291,127	448,542	75,349	207,398	274,156	318,903
Profit payable on subordinated obligation	14	1,189	-	-	1,189	1,263	-	-	1,263
Current tax liabilities		-	-	-	-	3,413	7,012	6,024	16,449
Total liabilities and participants' funds		843,160	1,961,041	9,023,505	11,565,515	785,319	1,837,448	8,533,037	10,860,120
Total equity, liabilities and participants' funds		2,376,881	1,961,041	9,023,505	13,098,120	2,174,645	1,837,448	8,533,037	12,249,227

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015				2014			
		Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Operating revenue	19	**658,214**	**1,171,031**	**1,632,422**	**2,886,625**	**560,113**	**1,071,550**	**1,530,897**	**2,672,250**
Gross earned contributions	20	-	1,112,551	1,266,686	2,379,125	-	972,895	1,182,701	2,155,449
Earned contributions ceded to retakaful	20	-	(97,035)	(34,888)	(131,923)	-	(110,585)	(44,809)	(155,394)
Net earned contributions	20	-	1,015,516	1,231,798	2,247,202	-	862,310	1,137,892	2,000,055
Fee and commission income	21	574,930	12,438	4,079	16,517	490,163	15,813	4,710	20,523
Investment income	22	83,284	62,378	365,736	511,398	69,950	57,803	348,196	475,949
Net realised gains	23	12,632	5,796	61,689	80,117	31,891	6,663	200,720	239,274
Net fair value gains/(losses)	24	-	729	(22,979)	(22,250)	540	494	23,835	24,869
Other operating expenses, net	25	(19,464)	(2,561)	(135,069)	(157,094)	(7,276)	(1,896)	(118,903)	(128,075)
Other revenue		651,382	78,780	273,456	428,688	585,268	78,877	458,558	632,540
Gross benefits and claims paid	26	-	(587,445)	(679,804)	(1,267,249)	-	(469,084)	(570,875)	(1,039,959)
Claims ceded to retakaful	26	-	93,867	33,028	126,895	-	27,762	24,000	51,762
Gross change to certificate liabilities	26	-	(114,081)	(240,029)	(701,288)	-	(112,054)	(377,898)	(850,535)
Change in certificate liabilities ceded to retakaful	26	-	(40,368)	21,331	(19,037)	-	52,108	(1,019)	51,089
Net benefits and claims		-	(648,027)	(865,474)	(1,860,679)	-	(501,268)	(925,792)	(1,787,643)
Management expenses	27	(251,374)	(864)	(31,318)	(283,444)	(241,388)	(290)	(37,283)	(278,814)
Change in expense liabilities	30	(72,789)	-	-	(72,789)	(44,000)	-	-	(44,000)
Fee and commission expenses	31	(225,619)	(290,360)	(290,306)	(231,355)	(211,025)	(243,466)	(248,133)	(212,461)
Profit on subordinated obligation		(13,560)	-	-	(13,560)	(8,025)	-	-	(8,025)
Tax borne by participants	32	-	10,105	25,011	35,116	-	(10,393)	(9,835)	(20,228)
Other expenses		(563,342)	(281,119)	(296,613)	(566,032)	(504,438)	(254,149)	(295,251)	(563,528)
Operating profit before surplus transfers		88,040	165,150	343,167	249,179	80,830	185,770	375,407	281,424
Surplus transferred to participants' funds		-	(95,380)	(251,798)	-	-	(97,497)	(263,086)	-
Surplus attributable to shareholders		161,139	(69,770)	(91,369)	-	200,594	(88,273)	(112,321)	-
Profit/surplus before taxation		249,179	-	-	249,179	281,424	-	-	281,424
Taxation	32	(98,803)	-	-	(98,803)	(89,484)	-	-	(89,484)
Zakat		(8,056)	-	-	(8,056)	(5,680)	-	-	(5,680)
Net profit for the year		142,320	-	-	142,320	186,260	-	-	186,260
Basic earnings per share (sen)	33	36	-	-	36	47	-	-	47

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015				2014			
		Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Net profit for the year		142,320	-	-	142,320	186,260	-	-	186,260
Other comprehensive income:									
Item that may be subsequently reclassified to income statement									
Net (losses)/gains on Available-for-sale ("AFS") financial assets:									
Gains/(losses) on fair value changes		15,399	(4,875)	105,453	115,080	17,179	13,197	56,467	86,624
Realised gain transferred to income statement	23	(12,632)	(5,796)	(47,084)	(65,512)	(31,890)	(6,663)	(188,917)	(227,470)
Tax effects relating to components of other comprehensive income	16	(692)	2,668	(4,142)	(2,166)	3,678	(1,633)	9,846	11,891
Other comprehensive income/(loss) attributable to participants		-	8,003	(54,227)	(46,224)	-	(4,901)	122,604	117,703
Other comprehensive income/(loss) for the year, net of tax		2,075	-	-	1,178	(11,033)	-	-	(11,252)
Total comprehensive income for the year		144,395	-	-	143,498	175,227	-	-	175,008

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to Equity Holder of the Company			
		Non-Distributable	Distributable	
	Share Capital RM'000	Available-for-sale Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2015	400,000	(30,854)	1,019,961	1,389,107
Net profit after tax for the year	-	-	142,320	142,320
Other comprehensive income for the year	-	1,178	-	1,178
Total comprehensive income for the year	-	1,178	142,320	143,498
At 31 December 2015	400,000	(29,676)	1,162,281	1,532,605
At 1 January 2014	400,000	(19,602)	833,701	1,214,099
Net profit after tax for the year	-	-	186,260	186,260
Other comprehensive loss for the year	-	(11,252)	-	(11,252)
Total comprehensive (loss)/income for the year	-	(11,252)	186,260	175,008
At 31 December 2014	400,000	(30,854)	1,019,961	1,389,107

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat		249,179	281,424
Adjustments for:			
Depreciation of property, plant and equipment		544	665
Amortisation of intangible assets		697	2,754
Gain on disposal of fixed assets		-	(1)
Fair value losses/(gains) on investments		22,250	(24,869)
Realised gains on disposal of investments		(80,117)	(239,273)
Write off of property, plant and equipment		1	-
Allowance for/(reversal of) impairment losses on:			
- Investments		160,039	133,223
- Takaful receivables		1,278	(1,144)
- Other receivables		(668)	615
- Financing receivables		(71)	(9,304)
- Retakaful assets		(2,335)	4,875
Profit income		(470,260)	(436,860)
Finance cost		13,560	8,025
Gross dividend/distribution income		(51,950)	(45,957)
Net amortisation of premiums		7,956	4,336
Increase in net contribution liabilities		9,775	40,817
Surplus transferred from general takaful fund		95,380	97,497
Surplus transferred from family takaful fund		251,798	263,086
Operating cash flows before working capital changes		207,056	79,909
Changes in working capital:			
Proceeds from sale of investments		6,284,079	6,102,774
Purchase of investments		(6,486,553)	(7,426,815)
(Increase)/decrease in takaful receivables		(9,611)	22,652
Decrease/(increase) in other receivables		86,795	(96,704)
Decrease in takaful payables		(20,857)	(20,638)
Increase/(decrease) in other payables		(1,717)	(43,472)
Increase in expense liabilities		72,789	44,000
Decrease in financing receivables		4,314	10,116
(Increase)/decrease in placements of deposits with financial institutions		(785,602)	310,371
Decrease/(increase) in retakaful assets		19,037	(51,089)
Increase in claims liabilities		354,242	466,012
Operating cash flows after working capital changes		(276,028)	(602,884)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)			
Profit income received		458,273	431,044
Gross dividend/distribution income received		56,969	42,656
Zakat paid		(7,302)	(8,426)
Taxation paid		(115,375)	(117,291)
Tax refund		11,958	21,084
Mudharabah paid to participants		(108,510)	(117,516)
Net cash flows generated from/ (used in) operating activities	36	19,985	(351,333)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		-	2
Purchase of intangible assets		(259)	(8,923)
Purchase of property, plant and equipment		(127)	(69)
Net cash flows used in investing activities	36	(386)	(8,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid on subordinated obligation		(13,634)	(6,762)
Issuance of share capital		-	-
Issuance of subordinated obligation		-	300,000
Net cash flows (used in)/generated from financing activities	36	(13,634)	293,238
Increase/(decrease) in cash and cash equivalents	36	5,965	(67,085)
Cash and cash equivalents at beginning of year		120,576	187,661
Cash and cash equivalents at end of year		126,541	120,576
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		14,326	21,205
General takaful fund		51,037	49,573
Family takaful fund		61,178	49,798
		126,541	120,576

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

1. CORPORATE INFORMATION

The principal activity of the Company is the management of general takaful, family takaful and takaful investment linked businesses.

There have been no significant changes in the nature of the principal activities during the financial year.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Statement of compliance

The financial statements 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 1965 in Malaysia.

At the beginning of the current financial year, there were no new and revised MFRSs, amendments to MFRS and Issues Committee ("IC") Interpretations effective for annual periods beginning or after 1 January 2015 which were relevant for the adoption of the Company.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by BNM as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

(a) Statement of compliance (cont'd)

In preparing the Company-level financial statements, the balances and transactions of the shareholder's fund are amalgamated and combined with those of the takaful funds. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation. The accounting policies adopted for shareholder's and takaful funds are uniform for like transactions and events in similar circumstances.

The takaful funds are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the Company's license to manage takaful business is withdrawn or surrendered.

Takaful operations and its funds

Under the concept of takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company manages the general and family takaful funds in line with the principles of Wakalah (agency), which is the main business model adopted by the Company. Under the Wakalah model, the takaful operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Islamic Financial Services Act 2013 ("IFSA"), the assets and liabilities of the takaful funds are segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the takaful funds are consolidated with those of the takaful operator to represent the control possessed by the operator over the respective funds.

The inclusion of separate information of the takaful funds and the takaful operator together with the consolidated financial information of the Company in the statement of financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for BNM reporting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies.

(c) Functional and presentation currency

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

(d) Use of estimate and judgements

The preparation of financial statements in conformity with MFRS which requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the followings notes:

- General takaful certificate liabilities — Note 2.2(j)(ii)
- Family takaful certificate liabilities — Note 2.2(k)(v)

The notes referred to above present a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the general and family takaful liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 40.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies

(a) Property, plant and equipment and depreciation

All items of property and equipment are initially recorded at cost. The costs of an item of property, plant and equipment are recognised as an asset, if, and only if, it is probable that future economic benefits associated with the item will flows to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, 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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Work-in-progress are also not depreciated as these assets are not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins.

Depreciation on property and equipment is computed on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Furniture, fittings, office equipment and renovations	20%
Computers and peripherals	14% - 25%
Motor vehicles	25%

The residual values, useful lives and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(b) Intangible assets

Intangible assets include computer software and licenses. Intangible assets acquired separately are measured on initial recognition at fair value. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful 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 are reviewed at least at each reporting date. Amortisation is charged to profit or loss.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Computer software and licenses

The useful lives of computer software and licenses are amortised using the straight-line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risk and rewards incidental to ownership are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(c) Leases (cont'd.)

(ii) Operating leases - the Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(d) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company and/or the takaful funds become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition and this depends on the purpose for which the financial assets were acquired or originated. The categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets.

(i) Financial assets at FVTPL

Financial assets as at FVTPL include financial assets held-for-trading ("HFT") and financial assets designated as at FVTPL upon initial recognition. Financial assets are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. HFT financial assets also include derivatives and separated embedded derivatives.

Financial assets can only be designated as at FVTPL upon initial recognition if the following criteria are met:

- 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 a different basis; or

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(d) Financial assets (cont'd.)

(i) Financial assets at FVTPL (cont'd.)

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVPTL do not include exchange differences, profit and dividend income. Exchange differences, profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively.

(ii) LAR

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR. The accounting policies with respect to retakaful assets and takaful receivables are disclosed in Note 2.2(g) and Note 2.2(m) respectively. Financial assets classified in this category include financing receivables, advances and other receivables.

These financial assets are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost using the effective profit method less accumulated impairment losses.

(iii) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income except for impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective profit method which are recognised in profit or loss.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(d) Financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has transferred substantially all the risks and rewards of the financial asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income are recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company and/or the takaful funds commit to purchase or sell the asset.

(e) Fair value of financial assets at FVTPL and AFS financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instrument that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are stated at cost and assessed for impairment at each reporting date.

For non-exchange traded financial assets such as unquoted fixed income securities, i.e., unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb provided by the Bond Pricing Agency Malaysia ("BPAM"). In the case of any downgraded or defaulted bond, internal valuations will be performed to determine the fair value of the bond. The fair values of structured deposits are based on market prices obtained from the respective issuers. The market value of Negotiable Islamic Certificates of Deposit ("NICD") are determined by reference to BNM's Interest Rate Swap.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Fair value of financial assets at FVTPL and AFS financial assets

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument 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 except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

(f) Impairment

(a) Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets (other than a financial asset at FVTPL) is impaired. A financial asset 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 and that loss event has an impact on the estimated future cash flows of the financial asset.

(i) Takaful receivables

To determine whether there is objective evidence that an impairment loss on takaful receivables has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments.

Takaful receivables are initially assessed individually for those receivables that are deemed to be individually significant. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in profit or loss.

Receivables that are not individually significant or that have been individually assessed with no evidence of impairment are grouped together for collective impairment assessment. These receivables are grouped within similar credit risk characteristics for collective assessment using such data as considered appropriate for purposes of grouping.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment (cont'd.)

(a) Financial Assets (cont'd.)

(i) Takaful receivables (cont'd.)

Collective loss estimates are based on the historical loss experience of the Company which could include the Company's past experience in collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables. The product of collective loss estimates and grouped receivables represents the expected impairment losses for that portfolio of receivables. The impairment loss is recognised in profit or loss.

The methodology and assumptions used in determining collective loss estimates are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Impairment losses on takaful receivables are recognised as a reduction against the carrying amount through the use of an allowance account. When a takaful receivable becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off in the financial statements are recognised in profit or loss.

Subsequent reversals of impairment loss are recognised when the decrease can be related objectively to an event occurring after the impairment was recognised to the extent that the carrying amount of the asset does not exceed its amortised cost had the impairment loss not been recognised. The reversal is recognised in profit or loss.

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity or participants' funds to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment (cont'd.)

(a) Financial Assets (cont'd.)

(ii) AFS financial assets (cont'd.)

Impairment losses on equity investments classified as AFS financial assets are not reversed through profit or loss in subsequent periods. Increases in fair value, if any, subsequent to impairment are recognised in other comprehensive income. For debt instruments classified as AFS financial assets, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after impairment.

(iii) Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on unquoted equities carried at cost has been incurred, the carrying amount is written down to the estimated recoverable amount which is determined as the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The impairment loss is recognised in profit and loss and such impairment losses are not reversed subsequent to its recognition.

(iv) Loans and receivables

LAR are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of the occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account.

(b) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment (cont'd.)

(b) Non-financial assets (cont'd.)

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor does it exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(g) Retakaful assets

The Company, as the operator of the participants' funds, cedes takaful risk in the normal course of business for all its takaful business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions, claims and benefits paid or payable are presented on a gross basis.

Retakaful arrangements, entered into by the Company, that meet the classification requirements of takaful certificates as described in Note 2.2(h) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Retakaful assets represent amounts recoverable from retakaful operators for takaful certificate liabilities which have yet to be settled at the reporting date. Amounts recoverable from retakaful operators are measured consistently with the amounts associated with the underlying takaful certificate and the terms of the relevant retakaful arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Retakaful assets (cont'd.)

At each reporting date, or more frequently, retakaful assets are assessed to determine whether objective evidence exists that retakaful assets are impaired. Objective evidence of impairment for retakaful assets are similar to those noted for takaful receivables as described in Note 2.2(f)(a)(i). If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in profit or loss.

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

(h) Product classification

The Company, as the operator of the participants' funds, issues certificates that contain takaful underwriting risk or both financial and takaful underwriting risk.

Financial risk is the risk of a possible future change in one or more of a specified profit 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. Takaful underwriting risk is risk other than financial risk.

A takaful certificate is a certificate under which the participants' fund has accepted significant risk from the participants by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company determines whether it has significant takaful risk by comparing benefits paid or payable on the occurrence of an event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the takaful risk accepted is deemed to be significant.

Investment contracts are those contracts that transfer financial risk with no significant takaful risk.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Product classification (cont'd.)

Takaful 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:

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

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and the Company may exercise its discretion as to the quantum and timing of payments to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within takaful contract liabilities as at the end of the reporting period.

For financial options and guarantees which are not closely related to the host takaful certificate 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 derivative is itself a takaful certificate and/or investment contract with DPF, or if the host takaful certificate and/or investment contract itself is measured at fair value through profit or loss.

When takaful certificates contain both a financial risk (or deposit) component and a significant takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the takaful risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(i) Shareholder's fund

<u>Expense liabilities</u>

The expense liabilities of the shareholder's fund consist of expense liabilities of the general and family takaful funds which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Shareholder's fund (cont'd.)

Expense liabilities (cont'd.)

(i) Expense liabilities of general takaful fund

Expense liabilities of the general takaful fund are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a Provision of Risk Margin for Adverse Deviation ("PRAD"), as prescribed by BNM.

(a) Provision for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the calculation of unearned contribution reserves ("UCR").

(b) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses for certificate maintenance of unexpired risks. The method used in computing UER is consistent with the calculation of unexpired risk reserves ("URR").

(ii) Expense liabilities of family takaful fund

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration.

Expense liabilities are recognised when projected future expenses exceed the projected future income of takaful certificates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Shareholder's fund (cont'd.)

Expense liabilities (cont'd.)

(iii) Liability adequacy test

At each reporting date, the Company reviews the expense liabilities of the shareholder's fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholder's fund for all managed takaful certificates.

In performing this review, the Company considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in profit or loss.

(j) General takaful fund

The general takaful fund is maintained in accordance with the IFSA 2013 and consists of AFS reserves and any surplus/deficit attributable to participants which represents the participants' share in the net surplus/deficit of the general takaful fund. Any deficit in the general takaful fund will be made good by the shareholder's fund via a benevolent loan or Qard. Surplus is distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company and as approved by the Signing Actuary.

The general takaful underwriting results are determined for each class of business after taking into account retakaful, changes in takaful certificate liabilities, wakalah fees and management expenses.

(i) Contribution income

Contribution income is recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been issued as at the reporting date are accrued at that date.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators. Inward facultative retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year as in the case of direct certificates, following the individual risks' inception dates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) General takaful fund (cont'd.)

(i) Contribution income (cont'd.)

Outward retakaful contributions are recognised in the same financial year as the original certificate to which the retakaful relates.

(ii) General takaful certificate liabilities

The general takaful certificate liabilities of the Company comprise claim liabilities and contribution liabilities.

Contribution liabilities

Contribution liabilities represent the Company's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and is recognised as contribution income.

In accordance with the valuation requirements of the RBCT Framework, contribution liabilities are reported at the higher of the aggregate of the UCR for all lines of business or the best estimate value of the URR at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

(a) Unearned contribution reserves

UCR represent the portion of the gross contributions of takaful certificates written, net of the related retakaful contributions ceded to qualified retakaful operators, that relate to the unexpired periods of the certificates at the reporting date.

Mudharabah

Short-term UCR represent the portion of net contribution income that relate to the unexpired period of certificates, with a duration not exceeding one year, at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) General takaful fund (cont'd.)

(ii) General takaful certificate liabilities (cont'd.)

(a) Unearned Contribution Reserves (cont'd.)

Mudharabah (cont'd.)

In determining short-term UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used as follows:

- earned upon maturity method for bond business;
- 25% method for marine cargo and aviation cargo, and transit
- 1/365th method for all other classes of general business, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

Long-term UCR represent the portion of net contribution income of takaful certificates, with a duration exceeding one year, that relate to the unexpired periods of certificates at the reporting date. The earned contribution income is recognised on a time apportionment basis over the duration of the certificates.

Wakalah

The UCR for wakalah business is calculated on net contribution income with a further deduction for wakalah fee expenses to reflect the wakalah business principle. The method used to calculate UCR is similar to that used for mudharabah business. No further deduction for commission expenses is made as commission expenses are borne by the shareholder's fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) General takaful fund (cont'd.)

(ii) General takaful certificate liabilities (cont'd.)

(b) Unexpired risk reserves

The URR is a prospective estimate of the expected future payments arising from future events covered under certificates in force as at the reporting date and also includes allowance for expenses, including overheads and costs of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds. URR is estimated via an actuarial valuation performed by a Signing Actuary.

Claim liabilities

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities comprise the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate and include a PRAD as prescribed by BNM.

Liabilities for outstanding claims are recognised upon notification by participants.

Claim liabilities are determined based upon valuations performed by the Signing Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

(iii) Liability adequacy test

At each reporting date, the Company reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the general takaful fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Company estimates all contractual cash flows and compares this against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) General takaful fund (cont'd.)

(iv) Claim expenses

Claim expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to certificate holders or third parties damaged by the certificate holders. They include direct and indirect claims and settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

(v) Commission expenses/acquisition costs

Commission expenses net of income derived from retakaful, which are costs directly incurred in securing contributions on takaful certificates net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Mudharabah principle
Commission expenses are borne by the general takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Wakalah principle
Commission expenses are borne by the shareholder's fund at an agreed percentage of the gross contributions. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

(k) Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the IFSA 2013 and consists of AFS reserves and any surplus/deficit attributable to participants which represents the participants' share in the net surplus/deficit of the family takaful fund.

The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful funds. Surplus distributable to participants is determined after deducting retakaful, claims/benefits paid and payable, expenses, provisions and reserves and is distributed in accordance with the terms and conditions prescribed by the Shariah Committee.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Family takaful fund (cont'd.)

(i) Contribution income

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah as advised by the Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

Outward retakaful contributions are recognised in the same financial year as the original certificates to which the retakaful relates.

(ii) Benefits and claims expenses

Benefits and claims expenses incurred during the financial year are recognised when a claimable event occurs and/or the Company is notified.

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims expenses arising on family takaful certificates, including settlement costs, less retakaful recoveries, are accounted for using the case basis method, and for this purpose, the benefits payable under a certificate are recognised as follows:

- maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates; and

- 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 the contingency covered.

(iii) Creation/cancellation of units

Net creation of units which represents contributions paid by participants or unit holders as payment for a new contract, or subsequent payments to increase the amount of that contract, are reflected in the income statement of the investment-linked funds. Net creation of units is recognised on a receipt basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Family takaful fund (cont'd.)

(iii) Creation/cancellation of units (cont'd.)

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units is received from the participants or unit holders.

(iv) Commission expenses/acquisition costs

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income.

Mudharabah principle
Commission expenses are borne by the family takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Wakalah principle
Commission expenses are borne by the shareholder's fund. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

(v) Family takaful certificate liabilities

Family takaful certificate liabilities are recognised when certificates are in-force and contributions are charged.

The family takaful certificate liabilities are derecognised when the certificate expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful certificate liabilities are adequate through the performance of a liability adequacy test.

Liabilities of the family takaful business are determined in accordance with valuation guidelines for takaful operators as issued by BNM. All family takaful liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the certificates, discounted at the risk-free discount rate. This method is known as the gross contribution valuation method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Family takaful fund (cont'd.)

(v) Family takaful certificate liabilities (cont'd.)

For the family takaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

The liabilities in respect of the non-unit component of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The value of the unit component is the net asset value ("NAV") of the fund.

For a one year family certificate covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis. For a one year family certificate or a one year extension to a family certificate covering contingencies other than life or survival, the liability for such family takaful certificates comprises contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

Adjustments to the liabilities at each reporting date are recognised in profit or loss. Profits originating from margins of adverse deviation on run-off contracts are recognised in profit or loss over the period of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

(l) Measurement and impairment of Qard

In the event where the assets of the takaful funds are insufficient to meet the liabilities, the shareholder's fund is required to rectify the deficit of the takaful funds via a Qard, which is a profit free loan. The Qard shall be repaid from future surpluses of the affected takaful funds. In the shareholder's fund, the Qard is stated at cost less impairment losses, if any, whereas in the takaful funds, the Qard is stated at cost.

At each reporting date, the balance of the Qard and the ability of the affected funds to generate sufficient surpluses to repay the shareholder's fund is assessed. The likelihood that the Qard will be repaid and the duration of time that will be required to repay the Qard is determined and ascertained via projected cash flows which take into account past experience of the affected funds. The projected cash flows are then discounted to determine the recoverable value of the Qard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Measurement and impairment of Qard (cont'd.)

If the carrying amount of the Qard exceeds its recoverable amount, the difference is recognised as an impairment loss and the Qard is written down to its recoverable amount. Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

(m) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that a takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. Objective evidence of impairment for takaful receivables and the determination of consequential impairment losses are as described in Note 2.2(f)(a)(i).

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(d), have been met.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances.

(o) Income tax

Income tax on profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is computed using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(o) Income tax (cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and included in profit or loss, except when it arises from a transaction which is recognised directly in equity/takaful certificate liabilities, in which case the deferred tax is also recognised directly in other comprehensive income/takaful certificate liabilities.

(p) Zakat

This represent business zakat payable by the Company in compliance with Shariah principles and as approved by the Company's Shariah Committee. Zakat provision is calculated based on the working capital method at 2.5%.

(q) Takaful payables

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

(r) Financial liabilities

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. During the financial year and as at the reporting date, the Company and the takaful funds did not classify any of its financial liabilities at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(r) Financial liabilities (cont'd.)

The Company's other financial liabilities include other payables and subordinated obligation. Other payables are subsequently measured at amortised cost using the effective profit method.

Subsequent to initial recognition, the subordinated obligation is recognised at amortised cost using the effective profit method. The subordinated obligation is classified as a current liability unless the Company has a conditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When 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, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in the period in which the associated services are rendered by employees. 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.

(ii) Defined contribution plan

As required by law, the Company makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(s) Employee benefits (cont'd.)

(iii) Share-based compensation

- ESOS

The ESOS is an equity-settled, share-based compensation plan that allows the directors and employees to acquire shares of MBB. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to MBB over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, MBB revises its estimates of the number of options that are expected to become exercisable over the vesting period.

- Restricted share units ("RSU")

Senior management personnel of MBB group, including personnel of the Company, are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new MBB shares or by cash at the absolute discretion of the ESS Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within the MBB's equity over the vesting period and taking into account the probability that the RSU will vest. The Company's share of the RSU is recognised as an employee cost with a corresponding increase in the amount due to MBB. The fair value of the RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

At each reporting date, MBB revises its estimates of the number of RSU that are expected to be awarded on vesting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

(u) Other revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and/or takaful funds, and the amount of the revenue can be measured reliably.

(i) Dividend income

Dividend income is recognised when the Company's and/or takaful funds' right to receive payment is established.

(ii) Profit income

Profit income is recognised using the effective yield method.

(iii) Fund management fees

Fund management fees are recognised when services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Fee and commission income

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the general and family takaful funds under the principle of Wakalah and are recognised as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

Participants are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these fees are deferred and recognised over those future periods.

Management fee income earned from investment-linked business is recognised on an accrual basis based on the net asset value of the investment-linked funds.

(w) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability and deducted from equity in the year in which all relevant approvals have been obtained.

(x) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective

The following are standards and annual improvements to standards issued by the Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 10 *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10)	To be announced by MASB
MFRS 10 *Consolidated Financial Statements* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)	1 January 2016
MFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)	1 January 2016
MFRS 12 *Disclosure of Interests in Other Entities* - Investment Entities: Applying the Consolidation Exception (Amendments to *MFRS 12)*	1 January 2016
MFRS 15 *Revenue from Constracts with Customers*	1 January 2018
MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101)	1 January 2016
MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116)	1 January 2016
MFRS 128 *Investment in Associates and Joint Ventures - or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)*	1 January 2016
MFRS 128 *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)	1 January 2016
MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (cont'd.)

MFRS 9 *Financial Instruments*

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but a restatement of comparative information is not compulsory.

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:

(i) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity ("HTM") and AFS asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (cont'd.)

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

(ii) 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 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 Company. MFRS 9 will change the Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(iii) 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 has established a project team with assistance from consultants to plan and manage the implementation of MFRS 9 and is in the process of assessing the financial implications for adopting the new standard. This implementation project consists of the a few phases and is expected to run for 2 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective

MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101)

The amendments are a part of a major initiative to improve disclosure requirements in MFRS financial statements. These amendments include narrow-focus improvements in five areas as follows:

(i) Materiality

The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It also re-emphasises that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted.

(ii) Disaggregation and subtotals

The amendments clarify that specific line items in the financial statements may be disaggregated.

It also introduces requirements for how an entity should present additional subtotals (in addition to those already required in MFRS) in the financial statements, where the additional subtotals must:

- be comprised of line items made up of amounts recognised and measured in accordance with MFRS;
- be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
- be consistent from period to period; and
- not be displayed with more prominence than the subtotals and totals currently required in MFRS for the financial statement.

For additional subtotals presented in the financial statements, an entity must present the line items that reconcile any such subtotals with the subtotals or totals currently required in MFRS for such statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (contd.)

MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101) (cont'd.)

(iii) Notes structure

The amendments clarify that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasise that understandability and comparability should be considered when deciding on that order.

Examples of systematic ordering or groupings of the notes include:

- Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position;
- Grouping together information about items measured similarly, such as assets measured at fair value; or
- Following the order of the line items in financial statements, similar to the order listed in current paragraph 114 of MFRS 101.

(iv) Disclosure of accounting policies

The amendments remove the examples of significant accounting policies in the current paragraph 20 of MFRS 101, i.e. the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be.

(v) Presentation of items of Other Comprehensive Income ("OCI") arising from equity accounted investments.

The amendments clarify that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments are applicable for annual periods beginning on or after 1 January 2016, with early application is permitted. The Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (contd.)

MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116) and MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)

The amendments clarify the principle in MFRS 116 and MFRS 138 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Company does not anticipate any impact to the financial statements upon adoption of the amendments as the Company has not use a revenue-based method to depreciate the non-current assets.

Annual Improvements to MFRS

(a) The following amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application is permitted:

<u>**Annual Improvements to MFRSs 2012–2014 Cycle**</u>

(i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 is applied prospectively and it clarifies that changing of disposal methods from held for sale to distribution to owners or vice versa should not be considered as a new plan of disposal but is, instead, continuation of the original plan. It also clarifies that changing of the disposal method does not change the date of classification which means the sale or distribution to owner must be completed within one year from the original date of classification.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and annual improvements to standards issued but not yet effective (contd.)

(a) The following amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application is permitted (cont'd.):

Annual Improvements to MFRS 2012 - 2014 Cycle (cont'd.)

(ii) MFRS 7 *Financial Instruments: Disclosures*

Servicing Contracts

An entity is required to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. The amendment is applied retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

Applicability of the amendments to MFRS 7 to condensed interim financial statements

The amendment is applied retrospectively and it removes the phrase "and interim periods within those annual periods" from paragraph 44R, clarifying that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

(iii) MFRS 134 *Interim Financial Reporting*

The amendment to MFRS 134 is applied retrospectively and it clarifies the meaning of 'elsewhere in the interim financial report'. It states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

The Company does not expect that the amendments on the annual improvements for the above standards will have significant financial implications in future financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

2015	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	3,697	750	323	4,770
Additions	127	-	-	127
Write off	-	(5)	-	(5)
At 31 December	3,824	745	323	4,892
Accumulated Depreciation				
At 1 January	2,710	503	323	3,536
Charge for the year	399	145	-	544
Write off	-	(4)	-	(4)
At 31 December	3,109	644	323	4,076
Net Book Value				
At 31 December	715	101	-	816

2014	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost					
At 1 January	3,642	738	323	570	5,273
Additions	55	14	-	-	69
Disposal	-	(2)	-	-	(2)
Reclassified to intangible assets (Note 4)	-	-	-	(570)	(570)
At 31 December	3,697	750	323	-	4,770
Accumulated Depreciation					
At 1 January	2,191	358	323	-	2,872
Charge for the year	519	146	-	-	665
Disposal	-	(1)	-	-	(1)
At 31 December	2,710	503	323	-	3,536
Net Book Value					
At 31 December	987	247	-	-	1,234

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

General takaful fund

2015/2014	Furniture, fittings, office equipment and renovations RM'000
Cost	
At 1 January/31 December	23
Accumulated Depreciation	
At 1 January/31 December	23
Net Book Value	
At 31 December	-

Family takaful fund

2015/2014	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
Cost			
At 1 January/31 December	32	5	37
Accumulated Depreciation			
At 1 January/31 December	32	5	37
Net Book Value			
At 1 January/31 December	-	-	-

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company

2015	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	3,752	755	323	4,830
Additions	127	-	-	127
Write off	-	(5)	-	(5)
At 31 December	3,879	750	323	4,952
Accumulated Depreciation				
At 1 January	2,765	508	323	3,596
Charge for the year	399	145	-	544
Write off	-	(4)	-	(4)
At 31 December	3,164	649	323	4,136
Net Book Value				
At 31 December	715	101	-	816

2014	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
Cost					
At 1 January	3,697	743	323	570	5,333
Additions	55	14	-	-	69
Disposal	-	(2)	-	-	(2)
Reclassified to intangible assets (Note 4)	-	-	-	(570)	(570)
At 31 December	3,752	755	323	-	4,830
Accumulated Depreciation					
At 1 January	2,246	363	323	-	2,932
Charge for the year	519	146	-	-	665
Disposal	-	(1)	-	-	(1)
At 31 December	2,765	508	323	-	3,596
Net Book Value					
At 31 December	987	247	-	-	1,234

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

4. INTANGIBLE ASSETS

Computer software and licences

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Cost				
At 1 January	13,549	5,536	9,020	28,105
Additions	259	-	-	259
At 31 December	13,808	5,536	9,020	28,364
Accumulated amortisation and impairment losses				
At 1 January	7,730	5,536	9,020	22,286
Amortisation charge for the year	697	-	-	697
At 31 December	8,427	5,536	9,020	22,983
Net book value				
At 31 December	5,381	-	-	5,381
2014				
Cost				
At 1 January	39,368	11,234	9,922	60,524
Additions	8,923	-	-	8,923
Write off	(30,086)	(5,698)	(902)	(36,686)
Reclassified from property, plant and equipment (Note 3)	570	-	-	570
Transfer to related subsidiary	(5,226)	-	-	(5,226)
At 31 December	13,549	5,536	9,020	28,105
Accumulated Amortisation and Impairment losses				
At 1 January	35,132	11,231	9,855	56,218
Amortisation charge for the year	2,684	3	67	2,754
Write off	(30,086)	(5,698)	(902)	(36,686)
At 31 December	7,730	5,536	9,020	22,286
Net Book Value				
At 31 December	5,819	-	-	5,819

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Malaysian government papers	117,241	518,895	404,672	1,040,808
Debt securities	1,552,619	930,258	5,865,174	8,348,051
Equity securities	108,538	17,921	1,140,946	1,267,405
Unit and property trust funds	3,740	331	61,352	65,423
Investment-linked units	22,116	-	-	-
Structured products (Note 5(a))	-	19,128	48,311	67,439
Negotiable Islamic certificates of deposit ("NICD")	-	9,848	128,419	138,267
Deposits with financial institutions	232,166	100,194	1,067,874	1,400,234
	2,036,420	1,596,575	8,716,748	12,327,627
2014				
Malaysian government papers	-	462,019	504,467	966,486
Debt securities	1,468,388	825,820	5,512,052	7,806,260
Equity securities	195,921	22,555	1,542,267	1,760,743
Unit and property trust funds	3,880	243	24,584	28,707
Investment-linked units	21,219	-	-	-
Structured products (Note 5(a))	-	18,635	71,452	90,087
Negotiable Islamic certificates of deposit ("NICD")	-	9,491	123,704	133,195
Deposits with financial institutions	122,487	118,275	373,870	614,632
	1,811,895	1,457,038	8,152,396	11,400,110

The investments of the Company as at the reporting date are in investments categorised as Shariah compliant investments. Included in equity investments of the shareholder's fund and the general and family takaful funds as at 31 December 2014 are investments in Shariah compliant securities listed on the Main Market of Bursa Malaysia which were subsequently categorised as non-Shariah compliant on 28 November 2014. The carrying amount of these investments as at 31 December 2014 and the dividend income and the impairment losses recognised in relation to these investments for the year ended 31 December 2014 were as follows:

5. INVESTMENTS (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets	4,440	400	26,994	31,834
Dividend income	80	7	130	217
Impairment losses	(2,246)	(196)	(22,951)	(25,393)
Net expenditure	(2,166)	(189)	(22,821)	(25,176)

These investments were disposed during the current financial year. The dividend income previously earned from these investments was taken out from the Baitulmal account to offset the loss arising on disposal of the investments, as approved by the Shariah Committee of the Company.

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

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Available-for-sale ("AFS")	1,804,254	1,498,879	3,015,738	6,296,755
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	4,610,079	4,610,079
- Held for trading ("HFT")	-	-	23,057	23,057
Loans and receivables ("LAR")	232,166	100,194	1,067,874	1,400,234
	2,036,420	1,599,073	8,716,748	12,330,125
2014				
Available-for-sale ("AFS")	1,689,408	1,341,990	3,319,779	6,329,958
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	4,439,112	4,439,112
- Held for trading ("HFT")	-	(3,227)	19,635	16,408
Loans and receivables ("LAR")	122,487	118,275	373,870	614,632
	1,811,895	1,457,038	8,152,396	11,400,110

5. INVESTMENTS (CONT'D.)

The following investments will mature after 12 months:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
AFS	1,666,975	1,450,734	1,761,635	4,879,344
FVTPL				
- Designated upon initial recognition	-	-	4,428,747	4,428,747
- HFT	-	-	14,609	14,609
	1,666,975	1,450,734	6,204,991	9,322,700
2014				
AFS	1,468,388	1,295,265	1,732,013	4,495,666
FVTPL				
- Designated upon initial recognition	-	-	4,404,371	4,404,371
- HFT	-	-	11,389	11,389
	1,468,388	1,295,265	6,147,773	8,911,426

(i) AFS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
At fair value:				
Malaysian government papers	117,241	518,895	155,779	791,915
Unquoted debt securities in Malaysia	1,552,619	930,258	1,647,865	4,130,742
Quoted equity securities in Malaysia	108,538	17,921	1,132,572	1,259,031
Quoted unit and property trust funds in Malaysia	3,740	331	61,278	65,349
Investment-linked units	22,116	-	-	-
Structured products (Note 5(a))	-	21,626	-	21,626
NICD	-	9,848	18,244	28,092
	1,804,254	1,498,879	3,015,738	6,296,755

5. INVESTMENTS (CONT'D.)

(i) AFS (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
At fair value:				
Malaysian government papers	-	462,019	111,903	573,922
Unquoted debt securities in Malaysia	1,468,388	825,820	1,629,693	3,923,901
Quoted equity securities in Malaysia	195,921	22,555	1,536,032	1,754,508
Quoted unit and property trust funds in Malaysia	3,880	243	24,577	28,700
Investment-linked units	21,219	-	-	-
Structured products (Note 5(a))	-	21,862	-	21,862
NICD	-	9,491	17,574	27,065
	1,689,408	1,341,990	3,319,779	6,329,958

(ii) FVTPL

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
- **Designated upon initial recognition**				
2015				
At fair value:				
Malaysian government papers	-	-	244,701	244,701
Unquoted debt securities in Malaysia	-	-	4,206,892	4,206,892
Structured products (Note 5(a))	-	-	48,311	48,311
NICD	-	-	110,175	110,175
	-	-	4,610,079	4,610,079

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS (CONT'D.)

(ii) FVTPL (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
- Designated upon initial recognition (cont'd.)				
2014				
At fair value:				
Malaysian government papers	-	-	383,571	383,571
Unquoted debt securities in Malaysia	-	-	3,877,959	3,877,959
Structured products (Note 5(a))	-	-	71,452	71,452
NICD	-	-	106,130	106,130
	-	-	4,439,112	4,439,112
- HFT				
2015				
At fair value:				
Malaysian government papers	-	-	4,192	4,192
Unquoted debt securities in Malaysia	-	-	10,417	10,417
Quoted equity securities in Malaysia	-	-	8,374	8,374
Quoted unit and property trust funds outside Malaysia	-	-	74	74
Structured products (Note 5(a))	-	(2,498)	-	(2,498)
	-	(2,498)	23,057	20,559
2014				
At fair value:				
Malaysian government papers	-	-	8,993	8,993
Unquoted debt securities in Malaysia	-	-	4,400	4,400
Quoted equity securities in Malaysia	-	-	6,235	6,235
Quoted unit and property trust funds outside Malaysia	-	-	7	7

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS (CONT'D.)

(ii) FVTPL (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
- HFT (cont'd)				
Structured products (Note 5(a))	-	(3,227)	-	(3,227)
	-	(3,227)	19,635	16,408

(iii) LAR

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	187,022	85,194	797,589	1,069,805
Others	45,144	15,000	270,285	330,429
	232,166	100,194	1,067,874	1,400,234
2014				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	77,487	88,275	339,870	505,632
Others	45,000	30,000	34,000	109,000
	122,487	118,275	373,870	614,632

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

Included in the LAR are assets pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic Berhad which amounted to RM3,000,000 (2014: RM3,000,000).

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 43.

5. INVESTMENTS (CONT'D.)

(a) STRUCTURED PRODUCTS

Structured products of the Company are classified as either FVTPL or AFS. For structured products classified as AFS, the derivative embedded in the product is bifurcated from the host contract in line with the requirements of MFRS 139 *Financial Instruments: Recognition and Measurement*. Bifurcated derivatives are classified as FVTPL and changes in their fair value are recognised in profit or loss.

The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The carrying amount of structured products is presented as follows:

	<----------2015	----------	<----------2014	----------
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Financial assets designated as FVTPL				
Structured products of the Family takaful fund	50,000	48,311	75,000	71,452
Bifurcated derivatives relating to structured products of * :				
Shareholder's fund	-	-	-	-
General takaful fund	-	(2,498)	-	(3,227)
	50,000	45,813	75,000	68,225
AFS financial assets				
Host contract relating to structured products of * :				
Shareholder's fund	-	-	-	-
General takaful fund	20,000	21,626	20,000	21,862
	20,000	21,626	20,000	21,862
Grand total	70,000	67,439	95,000	90,087

* The notional amount of structured deposits categorised as AFS represents the notional amount of the product as a whole and, accordingly, segregation between the host contract and the embedded derivative is not appropriate.

The fair value of structured products of the Company is derived based on valuation techniques from market observable inputs. They are revalued at the reporting date using such values as provided by the respective counterparties.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

6. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Corporate loans	-	3,331	6,500	9,831
Staff loans:				
Secured	18,330	-	-	18,330
Unsecured	1	-	-	1
Others	2,377	-	12	2,389
Allowance for impairment losses	(784)	(3,331)	(3,212)	(7,327)
	19,924	-	3,300	23,224
Receivable after 12 months	16,253	-	-	16,253
2014				
Corporate loans	-	3,331	10,500	13,831
Staff loans:				
Secured	18,131	-	-	18,131
Unsecured	15	-	-	15
Others	2,874	-	14	2,888
Allowance for impairment losses	(853)	(3,331)	(3,214)	(7,398)
	20,167	-	7,300	27,467
Receivable after 12 months	17,947	-	-	17,947

The carrying amounts of financing receivables approximate their fair values as these loans are issued at profit rates that are comparable to instruments in the market with similar characteristics and risk profiles and, accordingly, the impact of discounting thereon is not material.

The weighted average effective profit rate of financing receivables at the reporting date was 2.80% (2014: 2.78%) per annum.

7. RETAKAFUL ASSETS

	2015 RM'000	2014 RM'000
Retakaful operators' share of:		
General takaful certificate liabilities (Note 13)	203,400	257,441
Family takaful certificate liabilities (Note 13)	36,129	14,798
Allowance for impairment losses in relation to to general takaful certificate liabilities	(2,540)	(4,875)
	236,989	267,364

8. TAKAFUL RECEIVABLES

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015			
Due contributions including agents/ brokers and co-takaful balances	55,465	70,336	125,801
Due from retakaful operators	50,528	23,559	74,087
	105,993	93,895	199,888
Allowance for impairment losses	(20,514)	(4,163)	(24,677)
	85,479	89,732	175,211
2014			
Due contributions including agents/ brokers and co-takaful balances	40,263	77,363	117,626
Due from retakaful operators	36,948	36,410	73,358
	77,211	113,773	190,984
Allowance for impairment losses	(17,482)	(6,625)	(24,107)
	59,729	107,148	166,877

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

Included in due contributions including agents/brokers and co-takaful balances are balances due from related parties amounting to RM637,570 (2014: RM1,753,880) as disclosed in Note 38. The amounts receivable are subject to settlement terms stipulated in the takaful contracts.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

9. OTHER RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Sundry receivables, deposits and prepayments	2,433	455	305	3,193
Allowance for impairment losses	(1,294)	(32)	(510)	(1,836)
	1,139	423	(205)	1,357
Investment profit and dividend receivable	19,484	16,283	81,648	117,415
Amounts due from:				
General takaful fund*	91,526	-	-	-
Family takaful fund*	112,315	666	-	-
Amounts due from stockbrokers	19,761	-	9,366	29,127
Goods and service tax recoverable	1,990	-	-	1,990
	246,215	17,372	90,809	149,889
2014				
Sundry receivables, deposits and prepayments	3,773	1,300	858	5,931
Allowance for impairment losses	(2,006)	(32)	(466)	(2,504)
	1,767	1,268	392	3,427
Investment profit and dividend receivable	16,617	11,446	82,386	110,449
Amounts due from:				
General takaful fund*	108,901	-	-	-
Family takaful fund*	128,467	632	-	-
Amounts due from stockbrokers	9,776	1,239	104,157	115,172
	265,528	14,585	186,935	229,048

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

* The amounts due from the general takaful and family takaful funds in the respective funds are non-trade in nature, unsecured, not subject to any profit elements and are repayable upon demand.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

10. SHARE CAPITAL

Shareholder's fund/Company	No. of shares RM'000	Amount RM'000
2015/2014		
Authorised:		
Ordinary shares of RM1.00 each		
At 1 January/31 December	500,000	500,000
2015/2014		
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At 1 January/31 December	400,000	400,000

11. RESERVES

	2015 RM'000	2014 RM'000
Shareholder's fund/Company		
Non-distributable:		
AFS reserves	(28,560)	(30,635)
Less: Seed money elimination	(1,116)	(219)
	(29,676)	(30,854)
Distributable:		
Retained profits	1,162,281	1,019,961
	1,132,605	989,107

The AFS reserves of the Company arose from changes in the fair value of the investments classified as AFS financial assets. The entire retained profits are distributable to the shareholder under the single-tier system.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

12. PARTICIPANTS' FUND

	2015 RM'000	2014 RM'000
Takaful funds and Company		
General takaful fund (Note (a))	116,893	181,700
Family takaful fund (Note (b))	2,521,759	2,266,950
Company	2,638,652	2,448,650

	2015 RM'000	2014 RM'000
(a) General takaful fund		
Accumulated surplus (Note (i))	146,002	202,806
AFS reserves (Note (ii))	(29,109)	(21,106)
	116,893	181,700
(i) Accumulated surplus		
At 1 January	202,806	185,712
Surplus arising during the year	95,380	97,497
Hibah paid to participants during the year	(152,184)	(80,403)
At 31 December	146,002	202,806
(ii) AFS reserves		
At 1 January	(21,106)	(26,007)
Net (loss)/gain on fair value changes	(4,875)	13,197
Realised gain transferred to income statement (Note 23)	(5,796)	(6,663)
Deferred tax on fair value changes (Note 16)	2,668	(1,633)
At 31 December	(29,109)	(21,106)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

12. PARTICIPANTS' FUND (CONT'D.)

	2015 RM'000	2014 RM'000
(b) Family takaful fund		
Accumulated surplus (Note (i))	2,451,312	2,270,764
Surplus attributable to participants (Note (ii))	49,738	29,704
AFS reserves (Note (iii))	20,709	(33,518)
	2,521,759	2,266,950

	2015 RM'000	2014 RM'000
(i) Accumulated surplus		
At 1 January	2,270,764	2,046,700
Surplus arising during the year	251,798	263,086
Surplus attributable to participants during the year	(20,034)	(18,852)
Hibah paid to participants during the year	(51,216)	(20,170)
At 31 December	2,451,312	2,270,764
(ii) Surplus attributable to participants		
At 1 January	29,704	10,852
Surplus attributable to participants during the year	20,034	18,852
At 31 December	49,738	29,704
(iii) AFS reserves		
At 1 January	(33,518)	89,086
Net gain on fair value changes	105,453	56,467
Realised gain transferred to income statement (Note 23)	(47,084)	(188,917)
Deferred tax on fair value changes (Note 16)	(4,142)	9,846
At 31 December	20,709	(33,518)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful RM'000	Net RM'000
Takaful funds and Company			
2015			
General takaful fund (Note (a))	1,505,903	(203,400)	1,302,503
Family takaful fund (Note (b))	6,135,081	(36,129)	6,098,952
	7,640,984	(239,529)	7,401,455
Less: Seed money elimination	(21,000)	-	(21,000)
	7,619,984	(239,529)	7,380,455
2014			
General takaful fund (Note (a))	1,395,720	(257,441)	1,138,279
Family takaful fund (Note (b))	5,894,921	(14,798)	5,880,123
	7,290,641	(272,239)	7,018,402
Less: Seed money elimination	(21,000)	-	(21,000)
	7,269,641	(272,239)	6,997,402

(a) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
Claims liabilities (Note (i))	925,935	(185,579)	740,356
Contribution liabilities (Note (ii))	579,968	(17,821)	562,147
	1,505,903	(203,400)	1,302,503
2014			
Claims liabilities (Note (i))	811,854	(225,947)	585,907
Contribution liabilities (Note (ii))	583,866	(31,494)	552,372
	1,395,720	(257,441)	1,138,279

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) General takaful fund (cont'd.)

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
At 1 January	811,854	(225,947)	585,907
Claims incurred in the current accident year	653,152	(30,068)	623,084
Movement in claims incurred in prior accident years	30,703	(30,996)	(293)
Claims paid during the year	(587,445)	93,867	(493,578)
Movements in PRAD	17,671	7,565	25,236
At 31 December	925,935	(185,579)	740,356
2014			
At 1 January	699,800	(173,839)	525,961
Claims incurred in the current accident year	590,304	(57,043)	533,261
Movement in claims incurred in prior accident years	(23,545)	(13,945)	(37,490)
Claims paid during the year	(469,084)	27,762	(441,322)
Movements in PRAD	14,379	(8,882)	5,497
At 31 December	811,854	(225,947)	585,907

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
At 1 January	583,866	(31,494)	552,372
Contributions written during the year	1,108,653	(83,362)	1,025,291
Contributions earned during the year	(1,112,551)	97,035	(1,015,516)
At 31 December	579,968	(17,821)	562,147

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) General takaful fund (cont'd.)

(ii) Contribution liabilities (cont'd.)

	Gross RM'000	Retakaful RM'000	Net RM'000
2014			
At 1 January	543,014	(31,459)	511,555
Contributions written during the year	1,013,747	(110,620)	903,127
Contributions earned during the year	(972,895)	110,585	(862,310)
At 31 December	583,866	(31,494)	552,372

(b) Family takaful fund

(i) The family takaful certificate liabilities and its movements are further analysed as follows:

	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
Claims liabilities (Note (ii))	121,506	(9,888)	111,618
Actuarial liabilities (Note (ii))	5,987,224	(26,241)	5,960,983
NAV attributable to unit holders (Note (ii))	26,351	-	26,351
	6,135,081	(36,129)	6,098,952
2014			
Claims liabilities (Note (ii))	83,802	(5,031)	78,771
Actuarial liabilities (Note (ii))	5,788,823	(9,767)	5,779,056
NAV attributable to unit holders (Note (ii))	22,296	-	22,296
	5,894,921	(14,798)	5,880,123

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) Family takaful fund (Cont'd.)

(ii) The movements of the family takaful certificate liabilities are as follows:

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
2015						
At 1 January	83,802	5,788,823	22,296	5,894,921	(14,798)	5,880,123
Net earned contribution	-	-	6,712	6,712	(34,888)	(28,176)
Other revenue	-	-	1,476	1,476	-	1,476
Experience/benefit variation	131	-	-	131	1,860	1,991
Claims intimated during the year	713,630	(713,630)	-	-	(4,857)	(4,857)
Claims paid during the year	(676,057)	-	(3,747)	(679,804)	33,028	(646,776)
Other expenses	-	-	(285)	(285)	-	(285)
Taxation	-	-	(101)	(101)	-	(101)
Increase in certificate reserves	-	912,031	-	912,031	(16,474)	895,557
At 31 December	121,506	5,987,224	26,351	6,135,081	(36,129)	6,098,952

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) Family takaful fund (Cont'd.)

(ii) The movements of the family takaful certificate liabilities are as follows:

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
2014						
At 1 January	67,385	5,452,578	-	5,519,963	(15,817)	5,504,146
Net earned contribution	-	-	22,513	22,513	(44,809)	(22,296)
Other revenue	-	-	466	466	-	466
Experience/benefit variation	(2,940)	-	-	(2,940)	20,809	17,869
Claims intimated during the year	589,834	(589,834)	-	-	(4,491)	(4,491)
Claims paid during the year	(570,477)	-	(398)	(570,875)	24,000	(546,875)
Other expenses	-	-	(259)	(259)	-	(259)
Taxation	-	-	(26)	(26)	-	(26)
Increase in certificate reserves	-	926,079	-	926,079	5,510	931,589
At 31 December	83,802	5,788,823	22,296	5,894,921	(14,798)	5,880,123

14. SUBORDINATED OBLIGATION

Shareholder's fund/Company	**2015 RM'000**	**2014 RM'000**
Tier 2 Capital Subordinated Sukuk	300,000	300,000
Profit payable on subordinated obligations	1,189	1,263

Tier 2 Capital Subordinated Sukuk

Issue date	:	30 May 2014
Tenure	:	10 years from issue date on 10 non-callable 5 basis (Due in 2024).
Profit payable	:	4.52% per annum payable semi-annually in arrears in May and November each year.
Optional Redemption	:	The Company may, subject to the prior consent of BNM, redeem the Sukuk, in whole but not in part, on 30 May 2019 (first call date) and each semi-annual profit payment date thereafter at the principal amount together with accrued but unpaid coupon.

The fair value of the subordinated obligations is RM299,604,000 (2014: 300,978,000) and is determined by reference to indicative ask-price obtained from Bondweb provided by BPAM. The fair values of subordinated obligations are categorised under Level 2 of their fair value hierarchy as the valuations were mainly based on market observable inputs.

15. EXPENSE LIABILITIES

	2015 RM'000	**2014 RM'000**
Shareholder's fund/Company		
UWF of general takaful fund	116,199	97,820
UER of family takaful fund	354,332	299,922
	470,531	397,742

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

15. EXPENSE LIABILITIES (CONT'D.)

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
2015			
At 1 January	97,820	299,922	397,742
Wakalah fee received during the year (Note 21)	290,360	-	290,360
Wakalah fee earned during the year	(271,981)	-	(271,981)
Movement in UWF (Note 30)	18,379	-	18,379
Movement in UER (Note 30)	-	54,410	54,410
At 31 December	116,199	354,332	470,531
2014			
At 1 January	87,547	266,195	353,742
Wakalah fee received during the year (Note 21)	243,466	-	243,466
Wakalah fee earned during the year	(233,193)	-	(233,193)
Movement in UWF (Note 30)	10,273	-	10,273
Movement in UER (Note 30)	-	33,727	33,727
At 31 December	97,820	299,922	397,742

16. DEFERRED TAXATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
At 1 January	12,113	3,957	14,662	30,732
Recognised in :				
Income statement (Note 32)	1,298	-	-	1,298
Other comprehensive income/ participants' fund	(692)	2,668	(4,142)	(2,166)
Tax borne by participants (Note 32)	-	(790)	(5,246)	(6,036)
At 31 December	12,719	5,835	5,274	23,828

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
At 1 January	5,071	4,933	(942)	9,062
Recognised in :				
Income statement (Note 32)	3,364	-	-	3,364
Other comprehensive income/ participants' fund	3,678	(1,633)	9,846	11,891
Tax borne by participants (Note 32)	-	657	5,758	6,415
At 31 December	12,113	3,957	14,662	30,732

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and they relate to the same fiscal authority. The net deferred tax assets/(liabilities) shown in the statement of financial position has been determined after appropriate offsetting as follows:

	2015 RM'000	2014 RM'000
Shareholder's fund		
Deferred tax assets	13,832	13,591
Deferred tax liabilities	(1,113)	(1,478)
	12,719	12,113

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax assets/(liabilities) of the shareholder's fund during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	Impairment on AFS financial assets RM'000	Net amortisation of premiums on investments RM'000	AFS reserves RM'000	Fair value adjustment RM'000	Impairment on financial receivables RM'000	Total RM'000
2015						
At 1 January	2,519	647	10,212	-	213	13,591
Recognised in:						
Income statement	(183)	1,133	-	-	(17)	933
Other comprehensive income	-	-	(692)	-	-	(692)
At 31 December	2,336	1,780	9,520	-	196	13,832
2014						
At 1 January	458	514	6,534	135	265	7,906
Recognised in:						
Income statement	2,061	133	-	(135)	(52)	2,007
Other comprehensive income	-	-	3,678	-	-	3,678
At 31 December	2,519	647	10,212	-	213	13,591

16. DEFERRED TAXATION (CONT'D.)

Shareholder's fund (cont'd)

(ii) Deferred tax liabilities

	Accelerated capital allowances RM'000
2015	
At 1 January	(1,478)
Recognised in income statement	365
At 31 December	(1,113)
2014	
At 1 January	(2,835)
Recognised in income statement	1,357
At 31 December	(1,478)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and they relate to the same fiscal authority. The net deferred tax assets shown in the statement of financial position has been determined after appropriate offsetting as follows:

General takaful fund

	2015 RM'000	2014 RM'000
Deferred tax assets	10,579	8,333
Deferred tax liabilities	(4,744)	(4,376)
	5,835	3,957

The components and movements of deferred tax assets/(liabilities) of the general takaful fund during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Total RM'000
2015			
At 1 January	7,036	1,208	8,333
Recognised in:			
Income statement	-	(333)	(333)
Participants' fund	2,668	-	2,668
At 31 December	9,704	875	10,579

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

(i) Deferred tax assets (cont'd.)

	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Fair value adjustment RM'000	Total RM'000
2014				
At 1 January	8,669	1,123	213	10,005
Recognised in:				
Income statement	-	85	(124)	(39)
Participants' fund	(1,633)	-	-	(1,633)
At 31 December	7,036	1,208	89	8,333

(ii) Deferred tax liabilities

	Fair value adjustment RM'000	Net accretion of discounts investments RM'000	Impairment on takaful receivables RM'000	Takaful certificate liabilities RM'000	Total RM'000
2015					
At 1 January	89	(612)	(3,704)	(60)	(4,287)
Recognised in:					
Income statement	(182)	443	(675)	(43)	(457)
At 31 December	(93)	(169)	(4,379)	(103)	(4,744)
2014					
At 1 January	-	(388)	(4,642)	(42)	(5,072)
Recognised in:					
Income statement	-	(224)	938	(18)	696
At 31 December	-	(612)	(3,704)	(60)	(4,376)

16. DEFERRED TAXATION (CONT'D.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and they relate to the same fiscal authority. The net deferred tax assets/(liabilities) shown in the statement of financial position has been determined after appropriate offsetting as follows:

Family takaful fund	2015 RM'000	2014 RM'000
Deferred tax assets	6,627	14,807
Deferred tax liabilities	(1,353)	(145)
	5,274	14,662

The components and movements of deferred tax assets/(liabilities) of the family's takaful fund during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Net amortisation of premiums on investments RM'000	Fair value adjustment RM'000	Total RM'000
2015					
At 1 January	-	10,065	(145)	1,953	11,873
Recognised in:					
Income statement	-	(7,814)	767	1,801	(5,246)
Participants' fund	-	-	-	-	-
At 31 December	-	2,251	622	3,754	6,627
2014					
At 1 January	(7,057)	2,134	-	3,822	(1,101)
Recognised in:					
Income statement	-	7,931	-	(1,869)	6,062
Participants' fund	9,846	-	-	-	9,846
At 31 December	2,789	10,065	-	1,953	14,807

16. DEFERRED TAXATION (CONT'D.)

(ii) Deferred tax liabilities

	Accretion of discounts on investments RM'000	AFS reserves RM'000	Total RM'000
2015			
At 1 January	-	2,789	2,789
Recognised in:			
Participants' fund	-	(4,142)	(4,142)
At 31 December	-	(1,353)	(1,353)
2014			
At 1 January	159	-	159
Recognised in:			
Income statement	(304)	-	(304)
At 31 December	(145)	-	(145)

17. TAKAFUL PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Amounts due to agents and brokers	6,034	10,475	17,683	34,192
Amounts due to retakaful operators	-	31,254	21,171	52,425
	6,034	41,729	38,854	86,617
2014				
Amounts due to agents and brokers	7,552	4,169	24,541	36,262
Amounts due to retakaful operators	-	41,449	29,761	71,210
	7,552	45,618	54,302	107,472

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

Included in amounts due to agents and brokers are balances due to a related parties amounting to RM5,309,472 (2014: RM801,629) are disclosed in Note 38. The amounts payables are subject to settlement terms stipulated in the takaful contracts.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

18. OTHER PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Contribution deposits	241	3,027	62,272	65,540
Amounts due to:				
Shareholder's fund*	-	91,526	112,315	-
General takaful fund*	-	-	666	-
Amount due to stockbrokers	699	-	1,281	1,980
Unclaimed monies	241	40,866	34,990	76,097
Service tax payable	-	5	1	6
Mudharabah payable	-	142,083	14,876	156,959
Witholding tax payable	-	809	31,507	32,316
Amount due to ultimate holding company*	3,382	55	347	3,784
Amount due to holding company*	974	-	-	974
Amount due to related parties*	9,822	-	-	9,822
Goods and service tax payable	-	7,659	451	8,110
Zakat payable	8,840	-	-	8,840
Provisions	10,169	-	-	10,169
Sundry payables and accrued liabilities**	31,038	10,486	32,421	73,945
	65,406	296,516	291,127	448,542

18. OTHER PAYABLES (CONT'D.)

2014	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Contribution deposits	600	4,742	89,922	95,264
Amounts due to:				
Shareholder's fund*	-	108,901	128,467	-
General takaful fund*	-	-	632	-
Amount due to stockbrokers	-	5,340	11,532	16,872
Unclaimed monies	1,031	21,712	12,966	35,709
Service tax payable	-	1,583	83	1,666
Mudharabah payable	-	45,674	11,112	56,786
Witholding tax payable	-	2,327	5,489	7,816
Amount due to ultimate holding company*	9,791	48	324	10,163
Amount due to holding company*	470	-	-	470
Amount due to related parties*	6,150	-	-	6,150
Zakat payable	8,086	-	-	8,086
Provisions	21,903	-	-	21,903
Sundry payables and accrued liabilities**	27,318	17,071	13,629	58,018
	75,349	207,398	274,156	318,903

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

* The amounts due to the ultimate holding company, the holding company, related companies and the shareholder's and general takaful funds in the respective funds are non trade in nature, unsecured, not subject to any profit elements and are repayable upon demand.

** Included in sundry payables and accrued liabilities as at 31 December 2014 was an amount of RM87,898 payable to Baitulmal and non profit organisations. This amount relates to profit commissions received from reinsurers amounting to RM102,335 which do not meet the definition of Shariah compliant transactions. As at 31 December 2015, these amounts are nil as these balances have been disposed of.

19. OPERATING REVENUE

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Wakalah fees (Note 21)	574,930	-	-	-
Investment income (Note 22)	83,284	62,378	365,736	511,398
Gross contributions (Note 20)	-	1,108,653	1,266,686	2,375,227
	658,214	1,171,031	1,632,422	2,886,625
2014				
Wakalah fees (Note 21)	490,163	-	-	-
Investment income (Note 22)	69,950	57,803	348,196	475,949
Gross contributions (Note 20)	-	1,013,747	1,182,701	2,196,301
	560,113	1,071,550	1,530,897	2,672,250

20. NET EARNED CONTRIBUTION

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015			
(a) Gross contribution	1,108,653	1,266,686	2,375,227
Change in unearned contribution reserves	3,898	-	3,898
	1,112,551	1,266,686	2,379,125
(b) Contributions ceded to retakaful operators	(83,362)	(34,888)	(118,250)
Change in unearned contribution reserves	(13,673)	-	(13,673)
	(97,035)	(34,888)	(131,923)
Net earned contributions	1,015,516	1,231,798	2,247,202
2014			
(a) Gross contribution	1,013,747	1,182,701	2,196,301
Change in unearned contribution reserves	(40,852)	-	(40,852)
	972,895	1,182,701	2,155,449

20. NET EARNED CONTRIBUTION (CONT'D.)

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014 (cont'd.)			
(b) Contributions ceded to retakaful operators	(110,620)	(44,809)	(155,429)
Change in unearned contribution reserves	35	-	35
	(110,585)	(44,809)	(155,394)
Net earned contributions	862,310	1,137,892	2,000,055

21. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Wakalah fee income:				
General takaful fund	290,360	-	-	-
Family takaful fund	284,570	-	-	-
Profit commission	-	-	3,952	3,952
Retakaful commission income	-	11,940	-	11,940
Others	-	498	127	625
	574,930	12,438	4,079	16,517
2014				
Wakalah fee income:				
General takaful fund	243,466	-	-	-
Family takaful fund	246,697	-	-	-
Profit commission	-	2,769	242	3,011
Retakaful commission income	-	12,461	-	12,461
Others	-	583	4,468	5,051
	490,163	15,813	4,710	20,523

22. INVESTMENT INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
AFS financial assets:				
Profit income	73,696	58,043	87,873	219,612
Dividend/distribution income:				
Quoted equity securities in Malaysia	4,080	628	44,306	49,014
Quoted unit and property trust funds in Malaysia	206	10	2,538	2,754
Financial assets at FVTPL:				
- Designated upon initial recognition				
Profit income	-	-	208,742	208,742
- HFT				
Profit income	-	-	537	537
Dividend income:				
Quoted equity securities in Malaysia	-	-	182	182
LAR:				
Profit income	7,925	5,482	27,167	40,574
Profit income/(expense) from financing receivables	795	-	-	795
Net amortisation of premiums	(2,999)	(1,468)	(3,489)	(7,956)
Investment related expenses	(419)	(317)	(2,120)	(2,856)
	83,284	62,378	365,736	511,398

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

22. INVESTMENT INCOME (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
AFS financial assets:				
Profit income	62,253	53,038	82,036	197,327
Dividend/distribution income:				
Quoted equity securities in Malaysia	4,327	637	39,300	44,264
Quoted unit and property trust funds in Malaysia	118	-	1,535	1,653
Financial assets at FVTPL:				
- Designated upon initial recognition				
Profit income	-	-	212,799	212,799
- HFT				
Profit income	-	-	254	254
Dividend income:				
Quoted equity securities in Malaysia	-	-	40	40
LAR:				
Profit income	5,300	5,006	14,802	25,108
Profit income from financing receivables	806	-	566	1,372
Net amortisation of premiums	(1,699)	(578)	(2,059)	(4,336)
Other investment income	-	-	787	787
Investment related expenses	(1,155)	(300)	(1,864)	(3,319)
	69,950	57,803	348,196	475,949

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

23. NET REALISED GAINS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Net realised gains/(losses) on disposal of:				
AFS financial assets				
Malaysian government papers	230	1,209	141	1,580
Equity securities	8,655	2,515	35,055	46,225
Debt securities	3,747	2,072	11,924	17,743
Unit and property trust funds	-	-	(36)	(36)
	12,632	5,796	47,084	65,512
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	-	(5,889)	(5,889)
Debt securities	-	-	20,860	20,860
Structured deposits	-	-	(675)	(675)
	-	-	14,296	14,296
- HFT				
Malaysian government papers	-	-	(97)	(97)
Equity securities	-	-	293	293
Debt securities	-	-	112	112
Foreign notes	-	-	1	1
	-	-	309	309
Total net realised gains	12,632	5,796	61,689	80,117

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

23. NET REALISED GAINS (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Net realised gains/(losses) on disposal of:				
Property, plant and equipment	1	-	-	1
AFS financial assets				
Malaysian government papers	597	1,560	450	2,607
Equity securities	28,336	3,563	174,940	206,839
Debt securities	4,320	1,540	10,913	16,773
Other investments	(1,363)	-	2,614	1,251
	31,890	6,663	188,917	227,470
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	-	1,133	1,133
Debt securities	-	-	12,628	12,628
Structured deposits	-	-	(2,068)	(2,068)
	-	-	11,693	11,693
- HFT				
Malaysian government papers	-	-	37	37
Equity securities	-	-	(10)	(10)
Debt securities	-	-	83	83
	-	-	110	110
Total net realised gains	31,891	6,663	200,720	239,274

24. NET FAIR VALUE GAINS/(LOSSES)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Financial assets at FVTPL:				
- Designated upon initial recognition	-	729	(23,260)	(22,531)
- HFT	-	-	281	281
	-	729	(22,979)	(22,250)
2014				
Financial assets at FVTPL:				
- Designated upon initial recognition	540	494	23,977	25,011
- HFT	-	-	(142)	(142)
	540	494	23,835	24,869

25. OTHER OPERATING (EXPENSES)/INCOME, NET

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Other income				
Surrender charges	70	-	-	70
Reversal of impairment losses on:				
- Financing receivables	69	-	2	71
- Takaful receivables	-	-	2,462	2,462
- Retakaful assets	-	2,335	-	2,335
- Other receivables	712	-	-	712
Processing fee income	3	-	-	3
Sundry income	349	727	7	1,083
	1,203	3,062	2,471	6,736

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

25. OTHER OPERATING (EXPENSES)/INCOME, NET (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Other expenses				
Allowance for impairment losses on:				
- Investments	(20,660)	(1,883)	(137,496)	(160,039)
- Takaful receivables	-	(3,740)	-	(3,740)
- Other receivables	-	-	(44)	(44)
Sundry expenditure	(7)	-	-	(7)
	(20,667)	(5,623)	(137,540)	(163,830)
	(19,464)	(2,561)	(135,069)	(157,094)
2014				
Other income				
Surrender charges	245	-	-	245
Reversal of impairment losses on:				
- Financing receivables	210	-	9,094	9,304
- Takaful receivables	-	3,225	-	3,225
- Other receivables	-	-	73	73
Sundry income	1,588	125	2	1,715
	2,043	3,350	9,169	14,562
Other expenses				
Allowance for impairment losses on:				
- Investments	(8,467)	(339)	(124,417)	(133,223)
- Takaful receivables	-	-	(2,081)	(2,081)
- Retakaful assets	-	(4,875)	-	(4,875)
- Other receivables	(656)	(32)	-	(688)
Processing fee expenses	(126)	-	-	(126)
Sundry expenditure	(70)	-	(1,574)	(1,644)
	(9,319)	(5,246)	(128,072)	(142,637)
	(7,276)	(1,896)	(118,903)	(128,075)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

26. NET BENEFITS AND CLAIMS

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015			
Gross benefits and claims paid	(587,445)	(679,804)	(1,267,249)
Claims ceded to retakaful	93,867	33,028	126,895
Gross change in certificate liabilities	(114,081)	(240,029)	(701,288)
Change in certificate liabilities ceded to retakaful	(40,368)	21,331	(19,037)
	(648,027)	(865,474)	(1,860,679)
2014			
Gross benefits and claims paid	(469,084)	(570,875)	(1,039,959)
Claims ceded to retakaful	27,762	24,000	51,762
Gross change in certificate liabilities	(112,054)	(377,898)	(850,535)
Change in certificate liabilities ceded to retakaful	52,108	(1,019)	51,089
	(501,268)	(925,792)	(1,787,643)

27. MANAGEMENT EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Employee benefits expenses (Note (a))	125,470	652	23,225	149,347
Directors' remuneration (Note 28)	1,421	-	-	1,421
Shariah Committee remuneration (Note 29)	220	-	-	220
Auditors' remuneration:				
- statutory audits	298	3	139	440
- regulatory services	24	-	11	35
- other services	362	2	115	479
Depreciation of property, plant and equipment (Note 3)	544	-	-	544
Amortisation of intangible assets (Note 4)	697	-	-	697
Agency related expenses	7,073	-	-	7,073
Auto assist service	6,801	-	-	6,801
Assured medical fees	2,380	-	-	2,380
Bank and financing charges	12,424	8	2,365	14,797
Electronic data processing expenses	6,162	12	353	6,527
Entertainment expenses	500	3	31	534
Goods and services tax	6,523	15	153	6,691
Interest expenses	-	11	-	11
Legal fees	1,633	3	148	1,784
Maybank shared services-IT	9,075	11	212	9,298
Office facilities expenses	304	1	11	204
Other management fees	350	1	22	373
Postage and stamp duties	3,057	1	35	3,093
Printing and stationery	5,182	2	156	5,340
Professional fees	838	5	147	990
Promotional and marketing costs	26,249	26	19	26,294
Rental of offices/premises	10,018	50	1,674	11,742
Training expenses	2,628	12	245	2,885
Travelling expenses	1,486	7	91	1,584
Utilities, assessment and maintenance	2,389	8	186	2,583
Other expenses	17,266	31	1,980	19,277
	251,374	864	31,318	283,444

27. MANAGEMENT EXPENSES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Employee benefits expenses (Note (a))	128,165	602	25,135	153,902
Directors' remuneration (Note 28)	513	5	214	732
Shariah Committee remuneration (Note 29)	170	2	79	251
Auditors' remuneration:				
- statutory audits	307	2	111	420
- regulatory services	23	-	8	31
- other services	148	1	58	207
Depreciation of property, plant and equipment (Note 3)	665	-	-	665
Amortisation of intangible assets (Note 4)	2,684	3	67	2,754
Agency related expenses	6,722	(4)	-	6,718
Auto assist service	5,942	-	-	5,942
Assured medical fees	2,279	-	3	2,282
Bank and financing charges	8,933	(5)	3,953	12,881
Electronic data processing expenses	8,420	47	1,018	9,485
Entertainment expenses	602	4	55	661
Interest expenses	12	-	-	12
Legal fees	1,419	6	554	1,979
Maybank Shared Service-IT	10,293	91	1,940	12,324
Office facilities expenses	816	7	131	807
Other management fees	533	1	12	546
Postage and stamp duties	3,066	(658)	119	2,527
Printing and stationery	5,372	15	220	5,607
Professional fees	1,386	3	124	1,513
Promotional and marketing costs	24,048	38	22	24,108
Rental of offices/premises	8,422	43	1,601	10,066
Training expenses	3,373	18	286	3,677
Travelling expenses	2,559	12	256	2,827
Utilities, assessment and maintenance	2,413	16	416	2,845
Other expenses	12,103	41	901	13,045
	241,388	290	37,283	278,814

27. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee benefits expenses

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Wages, salaries and bonus	90,197	470	16,939	107,606
EPF	14,527	76	2,596	17,199
SOCSO	605	3	99	707
Share based compensation	1,575	13	328	1,916
Other benefits	18,566	90	3,263	21,919
	125,470	652	23,225	149,347
2014				
Wages, salaries and bonus	96,095	441	18,973	115,509
EPF	14,966	69	2,832	17,867
SOCSO	584	2	103	689
Share based compensation	2,205	17	389	2,611
Other benefits	14,315	73	2,838	17,226
	128,165	602	25,135	153,902

(b) Included in employee benefits expenses is remuneration paid to the Chief Executive Office of the Company amounting to RM881,000 (2014: RM929,000) detailed as follows:

	2015 RM'000	2014 RM'000
Salaries	462	444
Bonus	222	281
EPF	117	123
Other emoluments	80	81
	881	929

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

28. DIRECTORS REMUNERATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Non-executive directors:				
Fees	1,344	-	-	1,344
Other emoluments	77	-	-	77
	1,421	-	-	1,421
2014				
Non-executive directors:				
Fees	466	4	189	659
Other emoluments	47	1	25	73
	513	5	214	732

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

	Salary RM'000	Benefits Fees RM'000	Other emoluments RM'000	Total RM'000
2015				
Non-executive directors:				
Dato' Mohd Salleh Hj Harun	-	203	8	211
Gary Lee Crist	-	157	6	163
Dato' Johan Ariffin	-	157	7	164
Zainal Abidin Jamal	-	172	12	184
Loh Lee Soon	-	157	11	168
Frank J.G Van Kempen	-	170	12	182
Dr. Ismail Mohd @ Abu Hassan	-	158	8	166
Koh Heng Kong	-	170	13	183
	-	1,344	77	1,421
2014				
Non-executive directors:				
Dato' Mohd Salleh Hj Harun	-	113	8	121
Gary Lee Crist	-	75	7	82
Dato' Johan Arrifin	-	75	7	82
Zainal Abidin Jamal	-	82	10	92
Loh Lee Soon	-	75	10	85
Frank J.G Van Kempen	-	82	9	91
Dr. Ismail Mohd @ Abu Hassan	-	75	9	84
Koh Heng Kong	-	82	13	95
	-	659	73	732

29. SHARIAH COMMITTEE REMUNERATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Fees	168	-	-	168
Other emoluments	52	-	-	52
	220	-	-	220
2014				
Fees	139	1	63	203
Other emoluments	31	1	16	48
	170	2	79	251

The total remuneration of the Shariah Committee of the Company are as follows:

	Fees RM'000	Other emoluments RM'000	Total RM'000
2015			
Shariah committee:			
Dr. Ahcene Lahsasna	34	9	43
Dr. Ismail Bin Mohd @ Abu Hassan	33	11	44
Dr. Mohammad Deen Bin Mohd Napiah	33	11	44
Dr. Sarip Bin Adul	34	10	44
Ahmad Jailani Bin Abdul Ghani	20	6	26
Tan Sri Dato' Seri (Dr) Hj Harussani Bin Hj Zakaria	14	5	19
	168	52	220
2014			
Shariah committee:			
Tan Sri Dato' Seri (Dr) Hj Harussani Bin Hj Zakaria	34	8	42
Dr. Ismail Bin Mohd @ Abu Hassan	34	9	43
Dr. Mohammad Deen Bin Mohd Napiah	34	9	43
Dr. Ahcene Lahsasna	33	9	42
Dr. Sarip Bin Adul	33	9	42
Prof. Datuk Dr. Syed Othman Bin Syed Hussin Alhabshi	35	4	39
	203	48	251

30. CHANGE IN EXPENSE LIABILITIES

	2015 RM'000	2014 RM'000
Shareholder's fund/Company		
Increase in UWF of general takaful fund (Note 15)	18,379	10,273
Increase in UER of family takaful fund (Note 15)	54,410	33,727
	72,789	44,000

31. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Commission expenses	225,619	-	5,736	231,355
Wakalah fee expenses	-	290,360	284,570	-
Processing fee expenses	-	-	-	-
Others	-	-	-	-
	225,619	290,360	290,306	231,355
2014				
Commission expenses	211,025	-	-	211,025
Wakalah fee expenses	-	243,466	246,697	-
Processing fee expenses	-	-	43	43
Others	-	-	1,393	1,393
	211,025	243,466	248,133	212,461

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. TAXATION/TAX BORNE BY PARTICIPANTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Malaysian income tax:				
Tax expense for the year	74,666	-	10,096	74,666
Under/(over)provision of tax in prior years	25,435	(10,895)	(40,353)	25,435
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 16)	(1,298)	790	5,246	(1,298)
	98,803	(10,105)	(25,011)	98,803
2014				
Malaysian income tax:				
Tax expense for the year	88,860	7,012	20,532	88,860
Under/(over)provision of tax prior years	3,988	4,038	(4,939)	3,988
Deferred taxation:				
Relating to origination and reversal of temporary differences(Note 16)	(3,364)	(657)	(5,758)	(3,364)
	89,484	10,393	9,835	89,484

Domestic income tax for the shareholder's and general takaful funds is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year.

Domestic income tax of the family takaful fund is calculated at the preferential tax rate of 8% (2014: 8%) of taxable investment income for the financial year.

32. TAXATION/TAX BORNE BY PARTICIPANTS (CONT'D.)

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

	2015 RM'000	2014 RM'000
Company		
Profit/surplus before taxation	249,179	281,424
Taxation at Malaysian statutory tax rate of 25%	62,295	70,356
Income not subject to tax	(80,244)	(9,993)
Expenses not deductible for tax purposes	92,606	25,832
Effect of zakat deduction	(1,289)	(699)
Under/(over) provision of tax in prior years	25,435	3,988
Tax expense for the year	98,803	89,484

33. EARNINGS PER SHARE

The basic earnings per share ("EPS") is calculated by dividing the net profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	2015	2014
Profit attributable to ordinary shareholder (RM'000)	142,320	186,260
Number of ordinary shares in issue ('000)	400,000	400,000
Basic and diluted earnings per share (sen)	35.58	46.57

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

34. OPERATING LEASE COMMITMENTS

As at the reporting date, the Company and takaful funds lease office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for leases with initial or remaining terms of one year or more are as follows:

	2015 RM'000	2014 RM'000
Within 1 year	11,115	10,955
After 1 year but not more than 5 years	38,791	40,964
	49,906	51,919

Rental expenses recognised in the income statement during the financial year is disclosed in Note 27.

35. CAPITAL COMMITMENTS

	2015 RM'000	2014 RM'000
Shareholder's fund		
Approved and contracted for:		
Intangible assets	-	280

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

36. SEGMENT INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Net cash flow generated from/(used in):				
Operating activities	7,141	1,464	11,380	19,985
Investing activities	(386)	-	-	(386)
Financing activities	(13,634)	-	-	(13,634)
	(6,879)	1,464	11,380	5,965
Net (decrease)/increase in cash and cash equivalents:				
At 1 January	21,205	49,573	49,798	120,576
At 31 December	14,326	51,037	61,178	126,541
	(6,879)	1,464	11,380	5,965
2014				
Net cash flow (used in)/ generated from:				
Operating activities	(308,210)	(3,100)	(40,023)	(351,333)
Investing activities	(8,990)	-	-	(8,990)
Financing activities	293,238	-	-	293,238
	(23,962)	(3,100)	(40,023)	(67,085)
Net decrease in in cash and cash equivalents:				
At 1 January	45,167	52,673	89,821	187,661
At 31 December	21,205	49,573	49,798	120,576
	(23,962)	(3,100)	(40,023)	(67,085)

37. SHARE BASED COMPENSATION

The Maybank Group ESS is governed by the by-laws approved by the shareholders of MBB at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and it is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of the Employee Share Option Scheme ("ESOS") and the Restricted Share Unit ("RSU").

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The maximum number of ordinary shares of RM1.00 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme. Other principal features of the ESS are as follows:

(i) The employees eligible to participate in the ESS must be employed on a full time basis and on the payroll of the Participating Maybank Group and is confirmed in service.

Participating Maybank Group includes MBB and its overseas branches and subsidiaries of which the Group and the Company are included, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.

(ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of MBB in a general meeting.

(iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Not withstanding the above, MBB may terminate the ESS at any time during the duration of the scheme subject to:

- consent of MBB's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and

- written consent of all participants of ESS who have yet to exercise their ESS options, either in part or in whole, and all participants whose RSU Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

37. SHARE BASED COMPENSATION (CONT'D.)

(iv) The ESS consists of the ESOS, RSU and CESS. Personnel of the Company are eligible only for the ESOS and RSU but are not eligible for the CESS.

(1) ESOS

Under the ESOS award, MBB may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS options which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares of RM1.00 each in MBB, provided all the conditions including performance-related conditions are duly and fully satisfied.

(2) RSU

Under the RSU award, MBB may from time to time within the offer period, invite selected participants to enter into an agreement with MBB, whereupon MBB shall agree to award the scheme shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) year cliff vesting schedule or a two (2) year cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

(v) Key features of the ESOS award are as follows:

- On 23 June 2011, MBB granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met the average performance target ("ESOS First Grant"). The first tranche of ESOS under the ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under the ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012. The third tranche of ESOS under the ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013. The fourth tranche of ESOS under the ESOS First Grant amounting to 74,253,400 options have been vested and exercisable as at 30 April 2014. The fifth tranche of ESOS under the ESOS First Grant amounting to 69,854,500 options have been vested and exercisable as at 30 April 2015.

  During the financial year ended 31 December 2015, MBB also granted 600 options for appeal cases for fourth tranche of the ESOS First Grant.

37. SHARE BASED COMPENSATION (CONT'D.)

(v) Key features of the ESOS award are as follows (Cont'd):

On 10 August 2015, the ESS Committee approved the vesting of the sixth tranche of ESOS under the ESOS First Grant amounting to 34,951,500 options to be made effective 30 September 2015. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the 2011 Financial Year End from June 2012 to December 2011, where the second tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be allotted under the sixth tranche shall be prorated based on a six months period.

- On 30 April 2012, MBB granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Maybank Group ("ESOS Second Grant"). The first tranche of ESOS under the ESOS Second Grant amounting to 6,185,800 options have been vested and exercisable as at 7 May 2012. The second tranche of ESOS under the ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013. The third tranche of ESOS under the ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014. The fourth tranche of ESOS under the ESOS Second Grant amounting to 10,808,600 options have been vested and exercisable as at 30 April 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon the fulfilment of predetermined vesting conditions including service period, performance targets and performance period. During the financial year ended 31 December 2015, MBB also granted options for appeal cases for the first tranche and second tranche of the ESOS Second Grant amounting to 1,300 and 3,100 respectively.
- On 30 April 2013, MBB granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Maybank Group ("ESOS Third Grant"). The first tranche of ESOS under the ESOS Third Grant amounting to 9,199,800 options have been vested and exercisable as at 21 May 2013. The second tranche of ESOS under the ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014. The third tranche of ESOS under the ESOS Third Grant amounting to 9,197,600 options have been vested and exercisable as at 30 April 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon the fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

37. SHARE BASED COMPENSATION (CONT'D.)

(v) Key features of the ESOS award are as follows (Cont'd):

- On 30 April 2014, MBB granted five (5) tranches of ESOS amounting to 54,027,800 options to confirmed new recruits in the Maybank Group ("ESOS Fourth Grant"). The first tranche of ESOS under the ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014. The second tranche of ESOS under the ESOS Fourth Grant amounting to 10,591,900 options have been vested and exercisable as at 30 April 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon the fulfilment of predetermined vesting conditions including service period, performance targets and performance period. During the financial year ended 31 December 2015, MBB also granted 100,000 options relates to change of staff grade and 100 options for appeal cases for first tranche of the ESOS Fourth Grant.
  On 30 April 2015, MBB granted four (4) tranches of ESOS amounting to 48,170,100 options to confirmed new recruits in the Maybank Group ("ESOS Fifth Grant"). The first tranche of ESOS under the ESOS Fifth Grant amounting to 11,439,300 options have been vested and exercisable as at 21 May 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon the fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

  On 30 September 2015, MBB granted three (3) tranches of ESOS amounting to 992,400 options to confirmed new recruits in the Maybank Group ("ESOS Special Grant"). The first tranche of ESOS under the ESOS Fifth Grant amounting to 309,400 options have been vested and exercisable as at 21 October 2015, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable the upon fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

- The new ordinary shares in MBB allotted upon any exercise of options under the scheme will, upon allotment, rank *pari passu* in all aspects with the existing ordinary shares in MBB, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Articles of Association of MBB relating to transfer, transmission and otherwise.

- The subscription price of the ESOS shall be the Volume Weighted Average Market Price ("VWAMP") of MBB Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.

37. SHARE BASED COMPENSATION (CONT'D.)

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon the fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

- The scheme shares on RSU may be settled by way of issuance and transfer of new MBB Shares or by cash at the absolute discretion of the ESS Committee. The new MBB Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to MBB by the RSU participants.

- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of MBB Shares for the five (5) market days immediately preceding the RSU vesting date.

- The ESS Committee may, from time to time during the ESS period, make further RSU grants designated as Supplemental RSU Grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a two (2) to three (3) year cliff vesting schedule.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. RELATED PARTY DISCLOSURES

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

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

The Company has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

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

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

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Income/(expenses):				
2015				
Ultimate holding company:				
Profit income	-	-	-	-
Gross takaful contribution income	-	1	5,655	5,656
Commission and fee expenses	(53,197)	(304)	(2,124)	(55,625)
Holding company:				
Gross takaful contribution income	-	-	14	14
Shared service costs	(4,444)	-	-	(4,444)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. RELATED PARTY DISCLOSURES (CONT'D.)

(i) Significant transactions of the Company with related parties during the financial year were as follows: (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Income/(expenses):				
2015				
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution income	-	-	601	601
Rental expense	(8,591)	(43)	(1,525)	(10,159)
Shared service costs	(51,082)	-	-	(51,082)
Other related companies within the MBB Group:				
Profit income on deposits	1,336	3,234	8,031	12,601
Gross takaful contribution income	-	1,697	1,888	3,585
Maybank shared service IT expenses	(9,075)	(11)	(212)	(9,298)
Commission and fee expenses	(9,896)	-	-	(9,896)
Other expenses	(50)	-	-	(50)
Companies with significant influence over the MBB Group:				
Gross takaful contribution income	-	7,892	1,276	9,168
Claims paid	-	-	(518)	(518)
Profit on subordinated obligation	(3,616)	-	-	(3,616)

38. RELATED PARTY DISCLOSURES (CONT'D.)

(i) Significant transactions of the Company with related parties during the financial year were as follows (cont'd):

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Income/(expenses):				
2014				
Ultimate holding company:				
Profit income	126	35	659	819
Gross takaful contribution income	-	45	5,672	5,717
Commission and fee expenses	(55,891)	(300)	(2,068)	(58,259)
Holding company:				
Gross takaful contribution income	-	-	2	2
Shared service costs	(4,520)	-	-	(4,520)
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution income	-	-	360	360
Rental expense	(7,043)	(37)	(1,478)	(8,558)
Shared service costs	(42,595)	-	-	(42,595)
Other related companies within the MBB Group:				
Profit income on deposits	1,283	2,893	4,577	8,753
Gross takaful contribution income	-	1,729	1,676	3,404
Maybank shared service IT expenses	(10,293)	(91)	(1,940)	(12,324)
Other expenses	(600)	-	-	(600)
Companies with significant influence over the MBB Group:				
Gross takaful contribution income	-	2,563	958	3,521
Claims paid	-	-	(355)	(355)
Profit on subordinated obligation	(2,140)	-	-	(2,140)

38. RELATED PARTY DISCLOSURES (CONT'D.)

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

2015	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Ultimate holding company:				
Bank balances	14,255	42,914	50,332	107,501
Islamic investment accounts	-	9,848	9,848	19,696
Takaful payables	-	(1,788)	(2,665)	(4,453)
Other payables	(3,382)	(55)	(347)	(3,784)
Holding company:				
Other payables	(974)	-	-	(974)
Fellow subsidiaries within the MAHB Group:				
Takaful receivables	-	-	16	16
Takaful payables	-	-	(2)	(2)
Other payables	(2,353)	-	-	(2,353)
Other related companies within the MBB Group:				
Income and profit due and accrued	161	681	2,413	3,255
Islamic investment accounts	76,071	30,708	387,383	494,162
Islamic debt securities	-	40,071	20,036	60,107
Structured products	-	19,128	48,311	67,439
Takaful receivables	-	65	131	196
Takaful payables	-	-	(5)	(5)
Other payables	(7,469)	-	-	(7,469)
Companies with significant influence over the MBB Group:				
Takaful receivables	-	151	275	426
Takaful payables	-	(554)	(295)	(849)
Subordinated obligation	(80,317)	-	-	(80,317)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. RELATED PARTY DISCLOSURES (CONT'D.)

(ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following (Cont'd):

2014	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Ultimate holding company:				
Bank balances	14,868	46,860	40,553	102,282
Islamic investment accounts	-	9,491	9,491	18,982
Takaful receivables	-	153	918	1,072
Takaful payables	-	(3)	(434)	(437)
Other payables	(9,791)	(48)	(324)	(10,163)
Holding company:				
Other payables	(470)	-	-	(470)
Fellow subsidiaries within the MAHB Group:				
Takaful receivables	-	-	5	5
Takaful payables	-	-	(54)	(54)
Other payables	(2,381)	-	-	(2,381)
Other related companies within the MBB Group:				
Income and profit due and accrued	33	477	1,260	1,770
Islamic investment accounts	3,000	39,351	87,741	130,092
Islamic debt securities	-	29,227	21,119	50,346
Structured products	-	18,635	47,141	65,775
Takaful receivables	-	-	122	122
Takaful payables	-	(10)	(30)	(40)
Other payables	(3,769)	-	-	(3,769)
Companies with significant influence over the MBB Group:				
Takaful receivables	-	45	510	555
Takaful payables	-	(22)	(249)	(271)
Subordinated obligation	(80,337)	-	-	(80,337)

38. RELATED PARTY DISCLOSURES (CONT'D.)

(iii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company comprise the Executive Director, Non Executive Directors and the Chief Executive Officer.

(a) The remuneration of key management personnel during the year was as follows:

	2015 RM'000	2014 RM'000
Short-term employee benefits		
Fees	1,344	659
Salaries and bonuses	684	725
EPF	117	123
Other emoluments	157	154
	2,302	1,661

(b) The movement in share options of key management personnel is as follows:

	2015 RM'000	2014 RM'000
At 1 January	99	84
Granted	19	15
Resignation of key management personnel	-	-
At 31 December	118	99

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa Insurance Berhad ("EIB"), Etiqa Takaful Berhad ("ETB") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "The Group".

Six (6) key building blocks have been set which serves as the foundation for risk management and are executed in accordance with the standards and risk appetite set by the Board.

The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

Principles

The approach to risk management is premised on the following seven (7) broad principles:

- Established Risk Appetite and Strategy
- Assign Adequate Capital
- Ensure Governance and Oversight Function
- Promote Strong Risk Culture
- Establish Adequate Risk Framework and Policies
- Establish Risk Management Practices and Processes
- Ensure Sufficient Resources and System Infrastructures

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Appetite and Strategy

The establishment of the Group's risk appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite should enable the Board and Senior Management to communicate, understand and assess the types and level of risk that they are willing to accept in pursuit of its business objectives.

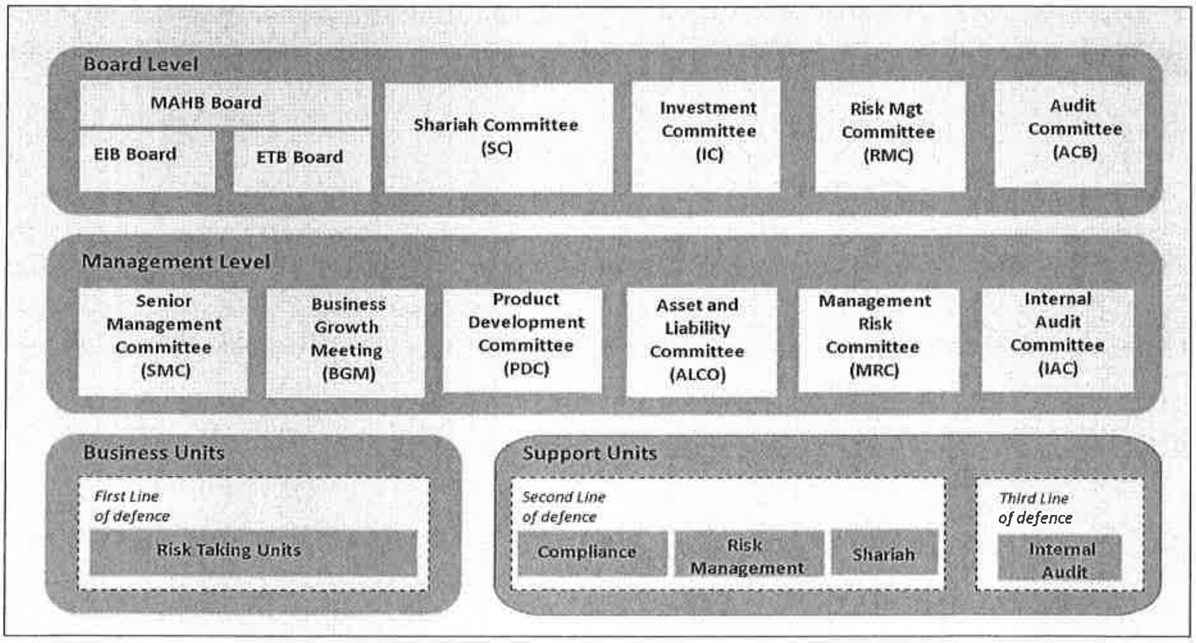
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising from business transactions are consistent with the risk profile and risk appetite established.

Governance and Risk Oversight

The Group continuously enhances its integrated risk management approach towards effective management of enterprise-wide risks. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business lines, control and reporting functions.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group.

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function. The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Board of Directors (Board), the Risk Management Committee (RMC) and the Management Risk Committee (MRC).



39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Governance and Risk Oversight (cont'd)

The governance structure aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) lines of defence which include the risk taking units, risk control units and internal audit.

Board

The MAHB Board, together with the EIB and ETB Board, have the final responsibility for all business activities, including risk management. The Board is the ultimate decision-making body of the Group. The Boards have delegated specific matters to sub-Board Committees, such as risk matters to the Risk Management Committee, Audit matters to the Audit Committee and investment matters to the Investment Committee.

Shariah Committee (SC)

The role of the SC is to oversee Shariah compliance for Takaful. The Shariah Committee assists the Board in fulfilling its supervision and monitoring responsibilities in respect of Shariah principles.

Risk Management Committee (RMC)

The roles of the RMC is to assist the Board in fulfilling its supervision and monitoring responsibility in respect of internal control, including monitoring the risk profiles of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board.

Investment Committee (IC)

The role of the IC is the governance body which carries an oversight function for investment related activities.

Audit Committee of the Board (ACB)

The role of the ACB is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal audit and external audit activities.

Senior Management Committee (SMC)

The responsibility of the SMC is to assure the Board that the Group take the appropriate decisions regarding risks and return and to ensure adequate controls exist and are fully operational.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Management Risk Committee (MRC)

The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

Asset Liability Committee (ALCO)

The ALCO is responsible for investment strategy and operations. It will carry out its responsibilities within the limits set by the MRC taking into consideration the Risk Appetite and Asset Liability Management ("ALM") constraints.

Internal Audit Committee (IAC)

The IAC is responsible for the monitoring and follow-up of audit findings.

Business Growth Committee (BGM)

BGM is a platform for business leaders to discuss business growth development issues.

Product Development Committee (PDC)

The PDC's prime objective is to coordinate and manage the whole process of product development and product management for the specific product lines derived from the overall marketing plan of the Group.

Risk Culture

Risk culture is a vital component in strengthening the group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

Risk culture is strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired risk culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Culture (cont'd.)

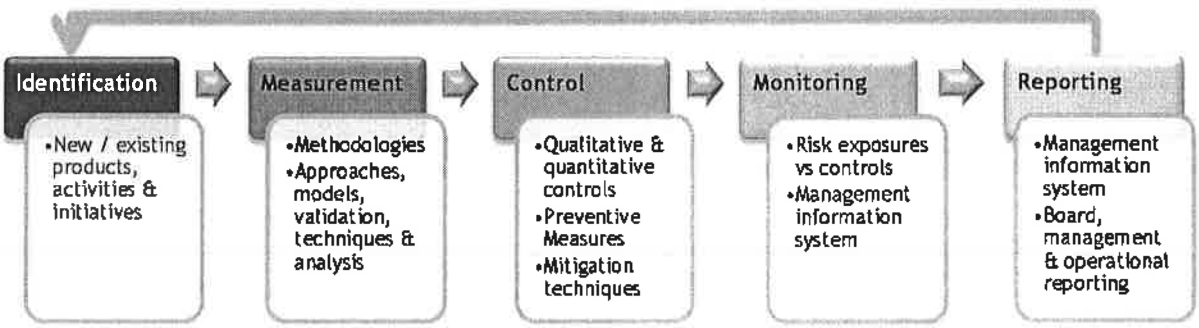
In line with the evolving market environment and dynamics within the Group and the Company and across industries, a strong risk culture requires constant attention to ensure that material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk Management Practices and Process

Risk management practices and process are a fundamental component of risk principles. It is essential in enabling systematic identification, measurement, controlling, monitoring and reporting of risk exposures.

To enable an effective execution of risk management practices and process, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Group.

The five (5) main stages of the risk management process which form a continuous cycle are as follows:



Resource and System Infrastructure

Appropriate system infrastructure and resources are the foundation and enabler to an effective risk management practices and process. As a result, the Group should equip itself with necessary resources, infrastructure and support to perform its roles efficiently.

Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

In addition, the requisite skills, qualifications, experience and competencies of staff within risk management should be compatible with the nature, scale and complexity of the Group's business activities.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Resources (cont'd.)

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk taking activities.

System Infrastructure

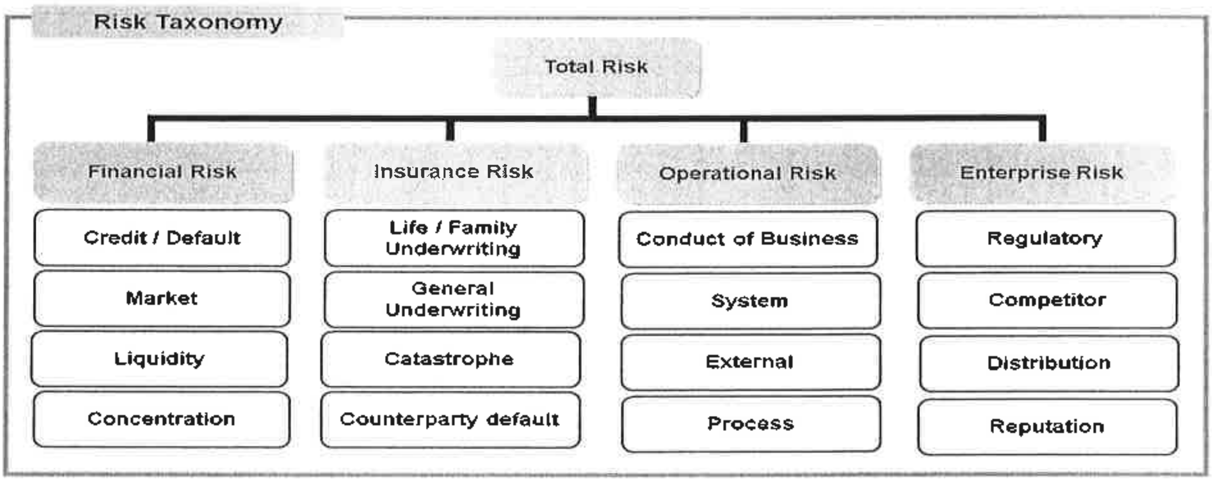
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system to support an enterprise-wide or consolidated view of risks.

Through established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately.

In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within the Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

RISK TAXONOMY

The major risk categories are governed by the Risk Taxonomy which consists of Financial, Insurance, Operational and Enterprise Risk. The Risk Management Department works hand-in-hand with the Compliance Department, the Legal Department and the Shariah Division on risk related matters.



40. TAKAFUL RISK

Takaful risk relates to the inherent risk associated in the underwriting activities of the Family and General Takaful businesses. Such risk includes pricing, reserving, underwriting, catastrophe and retakaful counterparty default. Analyses are performed to manage pricing, underwriting and reserving risks by evaluating trends before benefits and claims become due for payment.

Retakaful is placed to minimise certain takaful risks within the established risk parameters. Risks associated with retakaful operators are the counterparty risk of retakaful operators failing to honour their obligations. The Company evaluates the ability of all current and prospective retakaful operators to meet their obligations under exceptional but plausible adverse events on an on-going basis.

The Company has established appropriate guidelines and a framework combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(a) Family takaful fund

The table below shows the concentration of actuarial liabilities by type of contract:

	2015			2014		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,520,535	-	1,520,535	1,553,097	-	1,553,097
Mortgage	3,223,309	(26,241)	3,197,068	3,098,856	(6,787)	3,092,069
Term assurance	16,053	-	16,053	21,506	(2,980)	18,526
Annuity	785,456	-	785,456	786,876	-	786,876
Others	441,871	-	441,871	328,488	-	328,488
	5,987,224	(26,241)	5,960,983	5,788,823	(9,767)	5,779,056

All of the Company's family takaful business is derived from Malaysia and, accordingly, a geographical analysis by country has not been provided.

40. TAKAFUL RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(i) Key assumptions and methodology

Material judgement is required in determining the liabilities of the Participants' Risk Fund ("PRF"). The PRF refers to the fund in which the portion of contributions paid by the participants is allocated and pooled for the purpose of meeting claims. Assumptions are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

Discount rate
The discount rates used in the determination of PRF cashflows are based on the yield observed on Government Investment Issues ("GII") of the appropriate duration.

Mortality and morbidity rates
Mortality and morbidity rates represent the expected claims experience of the Company. The Company determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experience. For those contracts that are exposed to longevity risk, allowance is made for expected future mortality improvements.

Lapse and surrender rates
Lapse and surrender rates are used to determine the expected persistency of the business, i.e. , the expectation that participants will renew their certificates. These rates are based on the Company's historical experience of lapses and surrenders.

Expenses
Expense assumptions represent the expected amount that will be incurred in servicing the certificates over their expected lives. Assumptions on future expenses take into consideration current expense levels and the expected expense inflation.

40. TAKAFUL RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(ii) Sensitivity analyses

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of takaful liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

The correlation of assumptions will have a significant effect on the sensitivity analyses but to demonstrate the impact due to changes in specific assumptions, the sensitivity analyses are performed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analyses will also vary according to the current economic assumptions.

2015	% change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Discount rate*	-100 bps	285,860	283,379	(58,669)	(58,669)
Mortality and morbidity rates	+10%	269,109	254,731	(60,162)	(60,162)
Lapse and surrender rates	-10%	16,357	16,881	(4,130)	(4,130)
Expenses	+10%	18,101	18,101	(5,108)	(5,108)

40. TAKAFUL RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(ii) Sensitivity analyses (cont'd)

2014	% change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities** RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
Discount rate*	-100 bps	268,973	267,859	(66,006)	(66,006)
Mortality and morbidity rates	+10%	252,303	247,523	(65,826)	(65,826)
Lapse and surrender rates	-10%	17,366	17,543	(4,752)	(4,752)
Expenses	+10%	18,169	18,169	(4,655)	(4,655)

* excludes impact on profit rate assets
** the impact on net liabilities results in an equivalent, but opposite, impact on profit before tax and equity.

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key assumption being analysed. For the purposes of the sensitivity analysis, management has only examined the impact arising from adverse changes to these key assumptions as the impact of such adverse changes would be more significant to management in their decision-making process and strategic positioning.

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund

The table below discloses contribution written by type of contract.

	2015			2014		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	874,107	(7,808)	866,299	776,689	(7,688)	769,001
Fire	113,913	(39,693)	74,220	104,345	(48,512)	55,833
Marine, Aviation, Cargo and Transit	19,079	(16,702)	2,377	17,199	(14,927)	2,272
Miscellaneous	101,554	(19,159)	82,395	115,514	(39,493)	76,021
	1,108,653	(83,362)	1,025,291	1,013,747	(110,620)	903,127

(i) Key assumptions and methods

The estimation of the claim liabilities of the general takaful fund is based on BNM/RH/GL 004-21 *Guidelines on Valuation Basis for Liabilities of General Takaful Business* as issued by BNM. It requires all general takaful operators to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The claim liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(i) Key assumptions and methods (cont'd.)

The assumptions used in the projection methodologies, including future rates of claims inflation are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are explicitly allowed for in the reserving process by adding in a PRAD for the best estimate of the cost of future claim payments.

The methodology used in deriving the provision for expenses is consistent with the prior year. Loadings are applied directly to the central estimate of claim liabilities, the central estimate of URR and the UCR, to derive the expense liabilities.

(ii) Sensitivity analyses

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the general takaful fund's claim liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and equity.

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(ii) Sensitivity analyses (cont'd)

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2015					
Incurred Claims Ratio	+ 5%	55,628	50,776	(50,776)	(38,082)
	- 5%	(55,628)	(50,776)	50,776	38,082
2014					
Incurred Claims Ratio	+ 5%	48,645	43,116	(43,116)	(14,552)
	- 5%	(48,645)	(43,116)	43,116	14,552

(iii) Claims development table

The following tables show the estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims liabilities as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2015:

Accident year	Before 2009 RM'000	As at 31 December 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At the end of accident year		237,471	394,600	437,396	479,285	565,662	589,933	660,739	
1 year later		196,615	258,963	436,220	466,666	554,496	617,750		
2 years later		239,280	260,490	422,091	458,241	564,434			
3 years later		232,675	259,613	435,791	463,180				
4 years later		227,305	260,780	435,672					
5 years later		212,746	261,143						
6 years later		193,557							
Estimate of gross cumulative claims to date (A)		193,557	261,143	435,672	463,180	564,434	617,750	660,739	

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2015: (cont'd.)

Accident year	Before 2009 RM'000	As at 31 December 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At the end of accident year		74,439	94,507	131,482	187,973	238,771	231,130	264,533	
1 year later		146,844	191,698	269,769	366,008	405,337	470,575		
2 years later		173,478	226,315	376,785	413,088	463,144			
3 years later		183,492	242,215	391,811	432,662				
4 years later		186,640	246,636	396,008					
5 years later		187,652	247,668						
6 years later		189,012							
Gross cumulative claims paid to date (B)		189,012	247,668	396,008	432,662	463,144	470,575	264,533	
Best estimate gross claim liabilities (A) - (B)	11,153	4,545	13,475	39,664	30,518	101,290	147,175	396,206	744,026
PRAD (C)									181,909
Gross takaful claim liabilities as at 31 December 2015 (A) - (B) + (C)									925,935

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2015:

Accident year	Before 2009 RM'000	As at 31 December 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At the end of accident year		182,266	342,237	325,123	456,465	506,657	532,858	630,670	
1 year later		157,960	227,980	336,639	447,504	477,414	506,414		
2 years later		192,838	227,866	332,456	441,755	486,131			
3 years later		188,992	225,160	338,513	446,237				
4 years later		182,915	225,395	340,270					
5 years later		179,060	226,474						
6 years later		180,056							
Estimate of net cumulative claims to date (A)		180,056	226,474	340,270	446,237	486,131	506,414	630,670	

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2015: (cont'd.)

	Before	As at 31 December							
	2009	2009	2010	2011	2012	2013	2014	2015	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		72,745	91,793	130,642	186,608	235,297	227,238	259,797	
1 year later		135,607	171,337	266,182	356,576	383,436	386,400		
2 years later		161,900	204,893	307,058	399,389	433,014			
3 years later		171,527	216,241	321,595	417,899				
4 years later		174,547	219,629	325,611					
5 years later		175,535	220,626						
6 years later		176,618							
Net cumulative claims paid to date (B)		176,618	220,626	325,611	417,899	433,014	386,400	259,797	
Best estimate net claim liabilities (A) - (B)	4,058	3,438	5,848	14,659	28,338	53,117	120,014	370,873	600,345
PRAD (C)									140,011
Net takaful claim liabilities as at 31 December 2015 (A) - (B) + (C)									740,356

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2014:

Accident year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
		As at 31 December							
At the end of accident year		166,000	237,471	394,600	437,396	479,285	565,662	589,933	
1 year later		175,889	196,615	258,963	436,220	466,666	554,496		
2 years later		123,154	239,280	260,490	422,091	458,241			
3 years later		163,998	232,675	259,613	435,791				
4 years later		162,720	227,305	260,780					
5 years later		159,255	212,746						
6 years later		155,983							
Estimate of cumulative claims to date (A)		155,983	212,746	260,780	435,791	458,241	554,496	589,933	

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2014: (cont'd.)

Accident year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
		As at 31 December							
At the end of accident year		67,164	74,439	94,507	131,482	187,973	238,771	231,130	
1 year later		113,408	146,844	191,698	269,769	366,008	405,337		
2 years later		130,773	173,478	226,315	376,785	413,088			
3 years later		142,458	183,492	242,215	391,811				
4 years later		145,212	186,640	246,636					
5 years later		149,910	187,652						
6 years later		153,144							
Gross cumulative claims paid to date (B)		153,144	187,652	246,636	391,811	413,088	405,337	231,130	
Best estimate gross claim liabilities (A) - (B)	8,444	2,839	25,094	14,144	43,980	45,153	149,159	358,803	647,616
PRAD (C)									164,238
Gross takaful claim liabilities as at 31 December 2014 (A) - (B) + (C)									811,854

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2014:

	Before	As at 31 December							
	2008	2008	2009	2010	2011	2012	2013	2014	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		152,245	182,266	342,237	325,123	456,465	506,657	532,858	
1 year later		156,169	157,960	227,980	336,639	447,504	477,414		
2 years later		108,833	192,838	227,866	332,456	441,755			
3 years later		145,198	188,992	225,160	338,513				
4 years later		141,239	182,915	225,395					
5 years later		139,932	179,060						
6 years later		138,454							
Estimate of cumulative claims to date (A)		138,454	179,060	225,395	338,513	441,755	477,414	532,858	

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2014: (cont'd.)

Accident year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
		As at 31 December							
At the end of accident year		64,563	72,745	91,793	130,642	186,608	235,297	227,238	
1 year later		106,228	135,607	171,337	266,182	356,576	383,436		
2 years later		119,667	161,900	204,893	307,058	399,389			
3 years later		129,419	171,527	216,241	321,595				
4 years later		131,894	174,547	219,629					
5 years later		134,548	175,535						
6 years later		137,073							
Net cumulative claims paid to date (B)		137,073	175,535	219,629	321,595	399,389	383,436	227,238	
Best estimate net claim liabilities (A) - (B)	1,578	1,381	3,525	5,766	16,918	42,366	93,978	305,620	471,132
PRAD(C)									114,775
Net takaful claim liabilities as at 31 December 2014 (A) - (B) + (C)									585,907

41. FINANCIAL RISKS

(i) Credit Risk

The Company's credit risk arises through investments in fixed income instruments, fixed and call deposits, corporate loans and contracts with retakaful counterparties.

However, the main contribution to credit risk arises from transactions related to the Company's positions in debt securities (mainly corporate bonds). The default risk of the Company faces is when counterparties fail to meet contractual payment obligations.

Financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The Company measures and manages its credit risk following the philosophy and principles below:

(a) The Risk Management and Investment Management Department, actively aim to prevent undue concentration by ensuring its credit portfolio are diversified and marketable;

(b) The asset management research team adopts a prudent position in the selection of fixed income investments;

(c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty credit quality and aligned to the risk appetite; and

(d) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statements of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements. In respect of bifurcated derivatives relating to structured products categorised as AFS financial assets, the bifurcated derivatives are considered together with the host contract for the purposes of financial risk exposures and management.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
AFS financial investments:				
Malaysian government papers	117,241	518,895	155,779	791,915
Unquoted debt securities in Malaysia	1,552,619	930,258	1,647,865	4,130,742
Structured products	-	19,128	-	19,128
NICD	-	9,848	18,244	28,092
Financial investments at FVTPL:				
- Designated upon initial recognition				
Malaysian government papers	-	-	244,701	244,701
Unquoted debt securities in Malaysia	-	-	4,206,892	4,206,892
Structured products	-	-	48,311	48,311
NICD	-	-	110,175	110,175
- HFT				
Malaysian government papers	-	-	4,192	4,192
Unquoted debt securities in Malaysia	-	-	10,417	10,417
LAR:				
Deposits and placements with financial institutions	232,166	100,194	1,067,874	1,400,234
Financing receivables	19,924	-	3,300	23,224
Retakaful assets	-	200,860	36,129	236,989
Takaful receivables	-	85,479	89,732	175,211
Other receivables	246,215	17,372	90,809	149,889
Cash and bank balances	14,326	51,037	61,178	126,541
	2,182,491	1,933,071	7,795,598	11,706,653

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
AFS financial investments:				
Malaysian government papers	-	462,019	111,903	573,922
Unquoted debt securities in Malaysia	1,468,388	825,820	1,629,693	3,923,901
Structured products	-	18,635	-	18,635
NICD	-	9,491	17,574	27,065
Financial investments at FVTPL:				
- Designated upon initial recognition				
Malaysian government papers	-	-	383,571	383,571
Unquoted debt securities in Malaysia	-	-	3,877,959	3,877,959
Structured products	-	-	71,452	71,452
NICD	-	-	106,130	106,130
- HFT				
Malaysian government papers	-	-	8,993	8,993
Unquoted debt securities in Malaysia	-	-	4,400	4,400
LAR:				
Deposits and placements with financial institutions	122,487	118,275	373,870	614,632
Financing receivables	20,167	-	7,300	27,467
Retakaful assets	-	252,566	14,798	267,364
Takaful receivables	-	59,729	107,148	166,877
Other receivables	265,528	14,585	186,935	229,048
Cash and bank balances	21,205	49,573	49,798	120,576
	1,897,775	1,810,693	6,951,524	10,421,992

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

Shareholder's fund

	Neither past-due nor impaired		Past-due or impaired	Not subject to credit risk	Total
	*A to AAA RM'000	^^Not Rated RM'000	RM'000	RM'000	RM'000
2015					
AFS financial investments:					
Malaysian government papers	-	117,241	-	-	117,241
Unquoted debt securities in Malaysia	1,179,600	373,019	-	-	1,552,619
Quoted equity securities in Malaysia	-	-	-	108,538	108,538
Quoted unit and property trust funds in Malaysia	-	-	-	3,740	3,740
Investment-linked units	-	-	-	22,116	22,116
LAR:					
Deposits and placements with financial institutions	232,166	-	-	-	232,166
Financing receivables	-	18,331	1,593	-	19,924
Other receivables	246,215	-	-	-	246,215
Cash and bank balances	14,277	49	-	-	14,326
	1,672,258	508,640	1,593	134,394	2,316,885

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Shareholder's fund (cont'd.)

	Neither past-due nor impaired		Past-due or	Not subject to	
	*A to AAA	^^Not Rated	impaired	credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2014					
AFS financial investments:					
Unquoted debt securities in Malaysia	1,111,033	357,355	-	-	1,468,388
Quoted equity securities in Malaysia	-	-	-	195,921	195,921
Quoted unit and property trust funds in Malaysia	-	-	-	3,880	3,880
Investment-linked units	-	-	-	21,219	21,219
LAR:					
Deposits and placements with financial institutions	122,487	-	-	-	122,487
Financing receivables	-	18,146	2,021	-	20,167
Other receivables	-	265,528	-	-	265,528
Cash and bank balances	21,205	-	-	-	21,205
	1,254,725	641,029	2,021	221,020	2,118,795

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

General takaful fund

	Neither past-due nor impaired		Past-due or	Not subject to	
	*A to AAA RM'000	^^Not Rated RM'000	impaired RM'000	credit risk RM'000	Total RM'000
2015					
AFS financial investments:					
Malaysian government papers	-	518,895	-	-	518,895
Unquoted debt securities in Malaysia	898,038	32,220	-	-	930,258
Quoted equity securities in Malaysia	-	-	-	17,921	17,921
Quoted unit and property trust funds in Malaysia	-	-	-	331	331
Structured products	19,128	-	-	-	19,128
NICD	9,848	-	-	-	9,848
LAR:					
Deposits and placements with financial institutions	100,194	-	-	-	100,194
Retakaful assets	200,860	-	-	-	200,860
Takaful receivables ^^	-	49,175	36,304	-	85,479
Other receivables	-	-	-	17,372	17,372
Cash and bank balances	46,807	4,230	-	-	51,037
	1,274,875	604,520	36,304	35,624	1,951,323

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

General takaful fund (cont'd.)

	Neither past-due nor impaired			Past-due or impaired	Not subject to credit risk	Total
	*A to AAA RM'000	*B to BBB RM'000	^^Not Rated RM'000	RM'000	RM'000	RM'000
2014						
AFS financial investments:						
Malaysian government papers	-	-	462,019	-	-	462,019
Unquoted debt securities in Malaysia	712,105	3,023	110,692	-	-	825,820
Quoted equity securities in Malaysia	-	-	-	-	22,555	22,555
Quoted unit and property trust funds in Malaysia					243	243
Structured products	18,635	-	-	-	-	18,635
NICD	9,491	-	-	-	-	9,491
LAR:						
Deposits and placements with financial institutions	118,275	-	-	-	-	118,275
Retakaful assets	252,566	-	-	-	-	252,566
Takaful receivables ^^	-	-	34,882	24,847	-	59,729
Other receivables	-	-	-	-	14,585	14,585
Cash and bank balances	48,537	-	1,036	-	-	49,573
	1,159,609	3,023	608,629	24,847	37,383	1,833,491

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund

	Neither past-due nor impaired		Not subject to	
	*A to AAA	^^Not Rated	credit risk	Total
	RM'000	RM'000	RM'000	RM'000
2015				
AFS financial investments:				
Malaysian government papers	-	155,779	-	155,779
Unquoted debt securities in Malaysia	1,030,047	617,818	-	1,647,865
Quoted equity securities in Malaysia	-	-	1,132,572	1,132,572
Quoted unit and property trust funds in Malaysia	-	-	61,278	61,278
NICD	18,244	-	-	18,244
Financial investments at FVTPL:				
- Designated upon initial recognition				
Malaysian government papers	-	244,701	-	244,701
Unquoted debt securities in Malaysia	3,426,297	780,595	-	4,206,892
Structured product	48,311	-	-	48,311
NICD	110,175	-	-	110,175

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund (cont'd.)

	Neither past-due nor impaired					
	*A to AAA RM'000	^^Not Rated RM'000	Unit Linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2015 (cont'd.)						
- HFT						
Malaysian government papers	-	-	4,192	-	-	4,192
Unquoted debt securities in Malaysia	-	-	10,417	-	-	10,417
Quoted debt securities in Malaysia	-	-	-	-	8,374	8,374
Quoted unit and property trust funds outside Malaysia	-	-	-	-	74	74
LAR:						
Deposits and placements with financial institutions	1,056,949	-	10,925	-	-	1,067,874
Financing receivables	-	-	-	3,300	-	3,300
Retakaful assets	36,129	-	-	-	-	36,129
Takaful receivables ^^	-	55,372	-	34,360	-	89,732
Other receivables	90,809	-	-	-	-	90,809
Cash and bank balances	58,770	584	1,816	-	8	61,178
	5,875,731	1,854,849	27,350	37,660	1,202,306	8,997,896

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund (cont'd.)

	Neither past-due nor impaired			Not subject to credit risk	Total
	*A to AAA RM'000	*B to BBB RM'000	^^Not Rated RM'000	RM'000	RM'000
2014					
AFS financial investments:					
Malaysian government papers	-	-	111,903	-	111,903
Unquoted debt securities in Malaysia	1,118,088	2,016	509,589	-	1,629,693
Quoted debt securities in Malaysia	-	-	-	1,536,032	1,536,032
Quoted unit and property trust funds in Malaysia	-	-	-	24,577	24,577
NICD	17,574	-	-	-	17,574
Financial investments at FVTPL:					
- Designated upon initial recognition					
Malaysian government papers	-	-	383,571	-	383,571
Unquoted debt securities in Malaysia	3,046,189	5,039	826,731	-	3,877,959
Structured product	71,452	-	-	-	71,452
NICD	106,130	-	-	-	106,130

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund (cont'd.)

	Neither past-due nor impaired						
	*A to AAA RM'000	*B to BBB RM'000	^^Not Rated RM'000	Unit Linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2014 (cont'd.)							
HFT financial investments:							
Malaysian government papers	-	-	-	8,993	-	-	8,993
Unquoted debt securities in Malaysia	-	-	-	4,400	-	-	4,400
Quoted debt securities in Malaysia	-	-	-	-	-	6,235	6,235
Quoted unit and property trust funds outside Malaysia	-	-	-	-	-	7	7
LAR:							
Deposits and placements with financial institutions	370,901	-	-	2,969	-	-	373,870
Financing receivables	-	-	-	-	7,300	-	7,300
Retakaful assets	14,798	-	-	-	-	-	14,798
Takaful receivables ^^	-	-	24,844	-	82,304	-	107,148
Other receivables	186,935	-	-		-	-	186,935
Cash and bank balances	49,699	-	87	-	-	12	49,798
	4,981,766	7,055	1,856,725	16,362	89,604	1,566,863	8,518,375

* Based on ratings assigned by external rating agencies including RAM and MARC.

^^ Takaful receivables from agents/insurers/reinsurers licensed under the IFSA 2013 are classified under the "not rated" category.
Financial investments such as Malaysian Government Papers and certain corporate debt securities are classified under the "not rated" category as these investments are issued by the government or are guaranteed by the government and which are exempted from the requirement to be rated by rating agencies.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

Shareholder's fund

31.12.2015	Past due but not impaired				Impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	1,593	1,593	784	(784)	-	1,593
Other receivables	-	-	-	-	1,294	(1,294)	-	-
	-	-	1,593	1,593	2,078	(2,078)	-	1,593

31.12.2014	Past due but not impaired				Impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	2,021	2,021	853	(853)	-	2,021
Other receivables	-	-	-	-	2,006	(2,006)	-	-
	-	-	2,021	2,021	2,859	(2,859)	-	2,021

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

General takaful fund

31.12.2015	Past due but not impaired				Impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	-	-	3,331	(3,331)	-	-
Retakaful assets	-	-	-	-	2,540	(2,540)	-	-
Takaful receivables	26,293	6,430	3,581	36,304	20,514	(20,514)	-	36,304
Other receivables	-	-	-	-	32	(32)	-	-
	26,293	6,430	3,581	36,304	26,417	(26,417)	-	36,304

31.12.2014	Past due but not impaired				Impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	-	-	3,331	(3,331)	-	-
Retakaful assets	-	-	-	-	4,875	(4,875)	-	-
Takaful receivables	9,996	4,128	10,723	24,847	17,482	(17,482)	-	24,847
Other receivables	-	-	-	-	32	(32)	-	-
	9,996	4,128	10,723	24,847	25,720	(25,720)	-	24,847

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

Family takaful fund

31.12.2015	Past due but not impaired				Impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	3,300	3,300	3,212	(3,212)	-	3,300
Takaful receivables	9,990	9,158	15,212	34,360	4,163	(4,163)	-	34,360
Other receivables	-	-	-	-	510	(510)	-	-
	9,990	9,158	18,512	37,660	7,885	(7,885)	-	37,660

31.12.2014	Past due but not impaired				Impaired			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	7,300	7,300	3,214	(3,214)	-	7,300
Takaful receivables	6,934	13,109	62,262	82,304	6,625	(6,625)	-	82,304
Other receivables	-	-	-	-	466	(466)	-	-
	6,934	13,109	69,562	89,604	10,305	(10,305)	-	89,604

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account

The movements in allowance for impairment losses for financial assets are as follows:

Shareholder's fund

	Financing receivables RM'000	Other receivables RM'000	Total RM'000
2015			
Individual allowance			
At 1 January	853	2,006	2,859
(Reversal of)/allowance for impairment losses during the year	(69)	(712)	(781)
At 31 December	784	1,294	2,078
Collective allowance			
At 1 January/31 December	-	-	-
2014			
Individual allowance			
At 1 January	1,063	1,350	2,413
(Reversal of)/allowance for impairment losses during the year	(210)	656	446
At 31 December	853	2,006	2,859
Collective allowance			
At 1 January/31 December	-	-	-

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account (cont'd.)

The movements in allowance for impairment losses for financial assets are as follows:

General takaful fund

	Financing receivables RM'000	Retakaful assets RM'000	Takaful receivables RM'000	Other receivables RM'000	Total RM'000
2015					
Individual allowance					
At 1 January	3,331	4,875	1,458	32	9,696
(Reversal of)/allowance for impairment losses during the year	-	(2,335)	6,348	-	4,013
Write off	-	-	(708)	-	(708)
At 31 December	3,331	2,540	7,098	32	13,001
Collective allowance					
At 1 January	-	-	16,024	-	16,024
Reversal of impairment losses	-	-	(2,608)	-	(2,608)
during the year	-	-		-	-
At 31 December	-	-	13,416	-	13,416
2014					
Individual allowance					
At 1 January	3,331	-	1,892	-	5,223
Allowance for/(reversal of) impairment losses during the year	-	4,875	(434)	32	4,473
At 31 December	3,331	4,875	1,458	32	9,696
Collective allowance					
At 1 January	-	-	18,815	-	18,815
Reversal of impairment losses during the year	-	-	(2,791)	-	(2,791)
At 31 December	-	-	16,024	-	16,024

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account (cont'd.)

The movements in allowance for impairment losses for financial assets are as follows:

Family takaful fund

	Financing receivables RM'000	Takaful receivables RM'000	Other receivables RM'000	Total RM'000
2015				
Individual allowance				
At 1 January	3,214	5,222	466	8,902
(Reversal of)/allowance for impairment losses during the year	(2)	(2,569)	44	(2,527)
At 31 December	3,212	2,653	510	6,375
Collective allowance				
At 1 January	-	1,403	-	1,403
Allowance for impairment losses during the year	-	107	-	107
At 31 December	-	1,510	-	1,510
2014				
Individual allowance				
At 1 January	17,165	45,059	539	62,763
(Reversal of)/allowance for impairment losses during the year	(9,094)	2,081	(73)	(7,086)
Written off during the year	(4,857)	(41,918)	-	(46,775)
At 31 December	3,214	5,222	466	8,902
Collective allowance				
At 1 January	-	6,277	-	6,277
Written off during the year	-	(4,874)	-	(4,874)
At 31 December	-	1,403	-	1,403

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Financial effect of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Secured staff loans	Charges over residential properties and vehicles
Corporate loans	Charges over properties, lands being financed and bank guarantees

The funds with financial assets over which collaterals are held as security include the shareholder's and family takaful funds. The quantification of the extent to which collateral and other credit enhancements mitigate credit risk (referred to as "the financial effect of collateral") is described below.

Shareholder's fund

The financial effect of collateral held for financing receivables of the fund is 91% as at 31 December 2015 (2014: 91%). The financing receivables include staff loans and non-staff loans which amounted to RM19.9 million as at 31 December 2015 (2014: RM20.2 million). These loans are collateralised in the form of charges over residential properties which are worth RM28.5 million (2014: RM27.1 million).

Family takaful fund

The financial effect of collateral held for financing receivables of the fund is 100% as at 31 December 2015 (2014: 82%). The financing receivables include corporate loans which amounted to RM3.3 million as at 31 December 2015 (2014: RM7.3 million). These loans are collateralised in the form of land guarantees worth RM6.0 million in aggregate (2014: RM6.0 million).

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet short-term financial obligations without having to liquidate assets at a discounted prices.

The objective of liquidity risk management is to safeguard the Company's ability to meet all payments when they come due. Liquidity risk management will ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawal, claims and the maturity of liabilities.

The Company measures and manages liquidity risk following the philosophy and principles below:

(a) The Risk Management and Investment Management Departments actively monitor the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform; and

(b) The Investment Management Department ensures that the established investment limits allow for reasonable liquidity requirements at all times.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificates liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows of the recognised takaful liabilities.

Contribution liabilities, the retakaful share of contribution liabilities and expense liabilities relating to general takaful have been excluded from the analysis as there are no contractual obligations to make payments on those 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.

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Shareholder's fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2015						
Financial investments:						
AFS^	1,804,254	83,131	721,511	1,731,681	-	2,536,323
LAR^	232,166	232,166	-	-	-	232,166
Financing receivables	19,924	3,671	8,775	7,478	-	19,924
Other receivables	246,215	246,215	-	-	-	246,215
Qard receivable	36,684	36,684	-	-	-	36,684
Cash and bank balances	14,326	14,326	-	-	-	14,326
Total assets	2,353,569	616,193	730,286	1,739,159	-	3,085,638
Subordinated obligation*	301,189	13,560	54,240	367,800	-	435,600
Expense liabilities**	470,531	56,064	98,900	534,289	-	689,253
Takaful payables	6,034	6,034	-	-	-	6,034
Other payables	65,406	65,406	-	-	-	65,406
Total liabilities	843,160	141,064	153,140	902,089	-	1,196,293

^ Excluding equity securities and unit and property trust funds.
* Includes profit payable on subordinated obligation.
** Excluding expense liabilities relating to general takaful fund.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Shareholder's fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2014						
Financial investments:						
AFS^	1,689,408	70,361	516,136	1,680,259	-	2,266,756
LAR^	122,487	122,487	-	-	-	122,487
Financing receivables	20,167	2,220	1,699	16,248	-	20,167
Other receivables	265,528	265,528	-	-	-	265,528
Qard receivable	36,684	36,684	-	-	-	36,684
Cash and bank balances	21,205	21,205	-	-	-	21,205
Total assets	2,155,479	518,485	517,835	1,696,507	-	2,732,827
Subordinated obligation*	301,263	13,560	54,240	367,800	-	435,600
Expense liabilities**	397,742	34,900	86,279	479,460	-	600,639
Takaful payables	7,552	7,552	-	-	-	7,552
Other payables	75,349	76,075	-	-	-	76,075
Total liabilities	781,906	132,087	140,519	847,260	-	1,119,866

^ Excluding equity securities and unit and property trust funds.
* Includes profit payable on subordinated obligation.
** Excluding expense liabilities relating to general takaful fund.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2015						
Financial investments:						
AFS^	1,498,879	92,750	799,688	1,140,978	-	2,033,416
LAR^	100,194	100,194	-	-	-	100,194
Retakaful assets	183,039	176,399	9,094	86	-	185,579
Takaful receivables	85,479	85,479	-	-	-	85,479
Other receivables	17,372	17,372	-	-	-	17,372
Cash and bank balances	51,037	51,037	-	-	-	51,037
Total assets	1,936,000	523,231	808,782	1,141,064	-	2,473,077
Participants' fund**	146,002	-	-	-	146,002	146,002
Takaful certificate liabilities*	925,935	696,464	225,195	4,276	-	925,935
Takaful payables	41,729	41,729	-	-	-	41,729
Other payables	296,516	296,516	-	-	-	296,516
Total liabilities	1,410,182	1,034,709	225,195	4,276	146,002	1,410,182

^ Excluding equity securities and unit and property trust funds.
* Excluding contribution liabilities relating to the general takaful fund.
** Excluding AFS reserves relating to the general takaful fund.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2014						
Financial investments:						
AFS^	1,338,763	77,569	693,155	1,060,427	-	1,831,151
LAR^	118,275	118,275	-	-	-	118,275
Retakaful assets	221,072	91,697	97,156	37,094	-	225,947
Takaful receivables	59,729	59,729	-	-	-	59,729
Other receivables	14,585	14,585	-	-	-	14,585
Cash and bank balances	49,573	49,573	-	-	-	49,573
Total assets	1,801,997	411,428	790,311	1,097,521	-	2,299,260
Participants' fund**	202,806	116,183	-	-	86,623	202,806
Takaful certificate liabilities*	811,854	442,461	308,849	60,544	-	811,854
Takaful payables	45,618	45,618	-	-	-	45,618
Other payables	207,398	207,398	-	-	-	207,398
Total liabilities	1,267,676	811,660	308,849	60,544	86,623	1,267,676

^ Excluding equity securities and unit and property trust funds.
* Excluding contribution liabilities relating to the general takaful fund.
** Excluding AFS reserves relating to the general takaful fund.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Family takaful fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2015						
Financial investments:						
AFS^	3,015,738	147,584	647,389	2,153,992	-	2,948,965
FVTPL^	4,633,136	398,031	2,050,023	4,598,853	-	7,046,907
LAR^	1,067,874	1,067,875	-	-	-	1,067,875
Financing receivables	3,300	3,300	-	-	-	3,300
Retakaful assets	36,129	15,275	8,589	30,705	-	54,569
Takaful receivables	89,732	89,732	-	-	-	89,732
Other receivables	90,809	90,809	-	-	-	90,809
Cash and bank balances	61,178	61,178	-	-	-	61,178
Total assets	8,997,896	1,873,784	2,706,001	6,783,550	-	11,363,335
Participants' fund	2,521,759	49,738	-	2,472,021	-	2,521,759
Takaful certificate liabilities	6,135,081	2,999,854	1,357,822	3,834,840	26,351	8,218,867
Qard payable	36,684	36,684	-	-	-	36,684
Takaful payables	38,854	38,854	-	-	-	38,854
Other payables	291,127	291,127	-	-	-	291,127
Total liabilities	9,023,505	3,416,257	1,357,822	6,306,860	26,351	11,107,291

^ Excluding equity securities and unit and property trust funds.

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Family takaful fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2014						
Financial investments:						
AFS^	3,319,779	115,114	546,027	2,138,612	-	2,799,753
FVTPL^	4,458,747	246,879	1,586,834	4,988,574	-	6,822,287
LAR^	373,870	373,870	-	-	-	373,870
Financing receivables	7,300	7,300	-	-	-	7,300
Retakaful assets	14,798	8,628	2,269	8,750	-	19,647
Takaful receivables	107,148	107,148	-	-	-	107,148
Other receivables	186,935	186,935	-	-	-	186,935
Cash and bank balances	49,798	49,798	-	-	-	49,798
Total assets	8,518,375	1,095,672	2,135,130	7,135,936	-	10,366,738
Participants' fund	2,266,950	29,704	-	2,237,246	-	2,266,950
Takaful certificate liabilities	5,894,921	2,941,913	1,244,357	3,369,143	22,296	7,577,709
Qard payable	36,684	36,684	-	-	-	36,684
Takaful payables	54,302	54,302	-	-	-	54,302
Other payables	274,156	274,156	-	-	-	274,156
Total liabilities	8,527,013	3,336,759	1,244,357	5,606,389	22,296	10,209,801

^ Excluding equity securities and unit and property trust funds.

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of three (3) types of risk:

(a) currency risk;
(b) profit yield risk; and
(c) equity price risk.

The Company has three key features in its market risk management practices and policies.

(a) A Company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable.

(b) The Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(c) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues unit-linked investment certificates in a number of its products. In the unit-linked business, the participants bear the investment risk on the assets held in the unit-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of market risk in the following pages do not include analyses on the impact such risks on the investment-linked funds.

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(a) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the IFSA 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment certificate liabilities.

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

The Company's main foreign exchange risk from recognised assets and liabilities arises from retakaful transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

(b) Profit Yield Risk

Profit yield risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

Profit yield risks arise from exposures to profit rate/profit yield related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxies to the duration mismatch between the assets and the liabilities.

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(b) Profit Yield Risk (cont'd.)

The Company measures and manages profit rate/profit yield risk based on the following three philosophies and principles:

(a) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
(b) Set the benchmark for asset duration in line with risk appetite; and
(c) Use Key Risk Indicators ('KRI") to alert the organisation to impending problems in a timely manner.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

		2015		2014	
Funds	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Share-holders	+100 basis points	-	(99,482)	-	(87,819)
	-100 basis points	-	99,482	-	87,819
General takaful	+100 basis points	-	(29,959)	-	(27,449)
	-100 basis points	-	29,959	-	27,449
Family takaful	+100 basis points	(71,766)	(67,604)	(66,043)	(63,234)
	-100 basis points	71,766	67,604	66,043	63,234

* Impact on equity is after tax of 25% for general and shareholder's fund and 8% for family takaful fund.

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(c) Equity Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices which are principally investment securities not held for unit-linked business.

The Company's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM.

The Company complied with BNM stipulated limits during the financial year and had no significant concentration of equity price risk.

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(c) Equity Price Risk (cont'd.)

Market Indices - Bursa Malaysia

Funds	Changes in variables	2015 Impact on equity* RM'000	2014 Impact on equity* RM'000
Shareholders	+10%	10,082	16,577
	-10%	(10,082)	(16,577)
General takaful	+10%	616	1,710
	-10%	(616)	(1,710)
Family takaful	+10%	14,756	117,046
	-10%	(14,756)	(117,046)

* Impact on equity is after tax of 25% for general and shareholder's fund and 8% for family takaful fund.

42. OPERATIONAL RISK

Operational Risk Management ('ORM') is the discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

42. OPERATIONAL RISK (CONT'D.)

Some examples of operational incidents include:

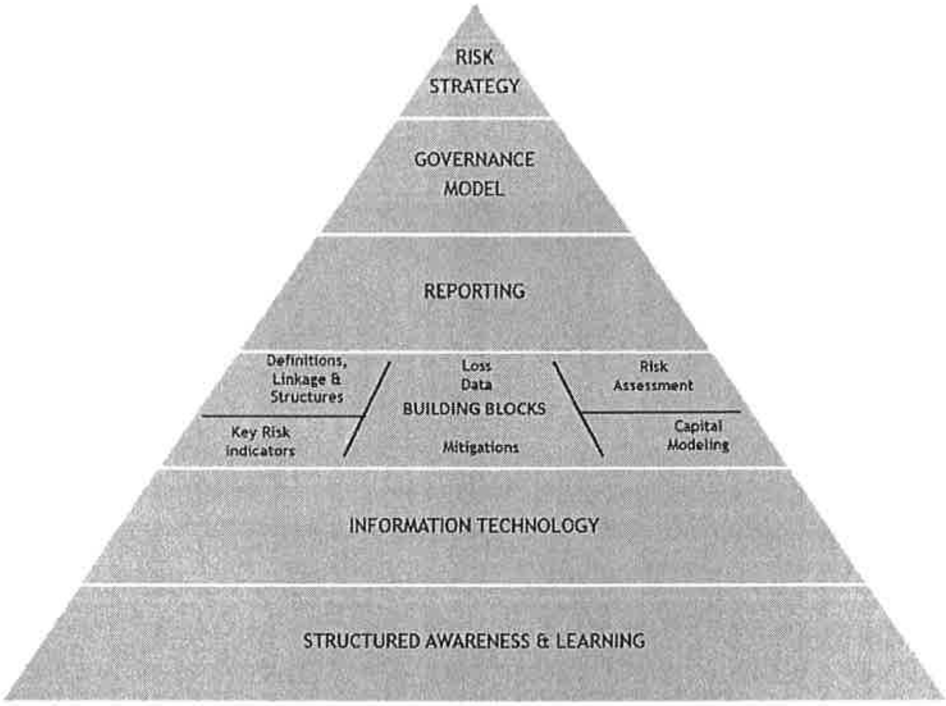
- Misappropriation of investments, due to fraud, an illegal act, malicious intent, spite, terrorism;
- Disruption or failure of IT systems and infrastructure, which may be used for monitoring, execution, administration;
- Inaccurate calculations due to data quality or errors, methodology flaws, miscalculations; and
- Inaccurate or incomplete controls.

The table below outlines the definitions of the four (4) causal categories of operational risk:

Casual Categories	Definition
People	Risks resulting from staff defaulting unexpected behaviours or the organisation being ineffective/inefficient in the management of its human capital.
Processes	Risks resulting from inadequate/failed internal business processes or transactions process flows.
Systems	Risk resulting from inadequate or defaulting IT/communication systems, or the unavailability or integrity of data.
External events	Risks resulting from events and actions from outside the organisation's immediate control having a negative impact on the business.

42. OPERATIONAL RISK (CONT'D.)

The methodology and components adopted in operational risk are summarised in diagram below.



Enterprise Risk

Enterprise risk covers the external and internal factors that can impact the Group ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave and can also be due to poor internal decision making and management or due to loss of reputation.

Shariah Non Compliance Risk

The risk of losses in the value of a fund due to factors arising due to the non-compliance of specific assets with Shariah rules and principles. The factors arise due to the mandatory charitable donation of income arising on a non-compliant asset, or illiquidity arising due to an excess of sellers in the market. The Shariah rules and principles are determined by the Shariah Committee or other regulatory council.

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) Cash and cash equivalents and other receivables/payables

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

(ii) Financing receivables

Financing receivables are granted at interest/profit rates which are comparable with the rates offered on similar instruments in the market and to counter parties with similar credit profiles. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(m) and Note 2.2(q). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(d) and Note 2.2(e). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.

Description of Overall Fair Value Framework

The Company has an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuations of financial instruments.

The valuations of financial instruments are performed either based on quoted prices in active markets at which an arm's length transaction would be likely to occur or using valuation techniques. Fair values of financial instruments can be assessed using observable inputs or unobservable inputs where one or more significant inputs are unobservable. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustments are an integral part of the valuation process. Valuation adjustment reflects the uncertainty in valuations for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustments, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/ parameters.

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(iv) Investments (Cont'd.)

Description of Overall Fair Value Framework (cont'd.)

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

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – quoted price

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

- Level 2 : No Active Market – Valuation techniques using observable input

  Refers to inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

  Examples of level 2 financial instruments include corporate and other government bonds and less liquid equities.

- Level 3 : No Active Market – Valuation techniques using unobservable input

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

  Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and highly structured OTC derivatives.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

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

Shareholder's Fund

	Valuation techniques using:			
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant Unobservable inputs RM'000	Total RM'000
2015				
Assets				
AFS financial investments				
Malaysian government papers	-	117,241	-	117,241
Unquoted debt securities in Malaysia	-	1,552,619	-	1,552,619
Quoted equity securities in Malaysia	108,538	-	-	108,538
Quoted unit and property trust funds in Malaysia	3,740	-	-	3,740
Investment-linked units	22,116	-	-	22,116
Total assets	134,394	1,669,860	-	1,804,254
Liability				
Subordinated obligation	-	299,604	-	299,604
Total liability	-	299,604	-	299,604
2014				
Assets				
AFS financial investments				
Unquoted debt securities in Malaysia	-	1,468,388	-	1,468,388
Quoted equity securities in Malaysia	195,921	-	-	195,921
Quoted unit and property trust funds in Malaysia	3,880	-	-	3,880
Investment-linked units	21,219	-	-	21,219
Total assets	221,020	1,468,388	-	1,689,408
Liability				
Subordinated obligation	-	300,978	-	300,978
Total liability	-	300,978	-	300,978

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

General takaful fund

	Valuation techniques using:			
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	Total RM'000
2015				
Assets				
AFS financial investments				
Malaysian government papers	-	518,895	-	518,895
Unquoted debt securities in Malaysia	-	925,935	4,323	930,258
Quoted equity securities in Malaysia	17,921	-	-	17,921
Quoted unit and property trust funds in Malaysia	331	-	-	331
Structured products	-	19,128	-	19,128
NICD	-	9,848	-	9,848
Total assets	18,252	1,473,806	4,323	1,496,381
2014				
Assets				
AFS financial investments				
Malaysian government papers	-	462,019	-	462,019
Unquoted debt securities in Malaysia	-	825,820	-	825,820
Quoted equity securities in Malaysia	22,555	-	-	22,555
Quoted unit and property trust funds in Malaysia	243	-	-	243
Structured products	-	18,635	-	18,635
NICD	-	9,491	-	9,491
Total assets	22,798	1,315,965	-	1,338,763

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund

	Valuation techniques using: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	Total RM'000
2015				
Assets				
AFS financial investments				
Malaysian government papers	-	155,779	-	155,779
Unquoted debt securities in Malaysia	-	1,615,801	32,064	1,647,865
Quoted equity securities in Malaysia	1,132,572	-	-	1,132,572
Quoted unit and property trust funds in Malaysia	61,278	-	-	61,278
NICD	-	18,244	-	18,244
Financial investments at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	244,701	-	244,701
Unquoted debt securities in Malaysia	-	4,187,829	19,063	4,206,892
Structured products		48,311	-	48,311
NICD	-	110,175	-	110,175
- HFT				
Malaysian government papers	-	4,192	-	4,192
Unquoted debt securities in Malaysia	-	10,417	-	10,417
Quoted equity securities in Malaysia	8,374	-	-	8,374
Quoted unit and property trust funds outside Malaysia	74	-	-	74
	1,202,298	6,395,449	51,127	7,648,874

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund

	Valuation techniques using:			
2014	**Level 1 Quoted market prices RM'000**	**Level 2 Observable inputs RM'000**	**Level 3 Non Observable inputs RM'000**	**Total RM'000**
Assets				
AFS financial investments				
Malaysian government papers	-	111,903	-	111,903
Unquoted debt securities in Malaysia	-	1,629,693	-	1,629,693
Quoted equity securities in Malaysia	1,536,032	-	-	1,536,032
Quoted unit and property trust funds in Malaysia	24,577	-	-	24,577
NICD	-	17,574	-	17,574
Designated upon initial recognition as Fair Value Through Profit or Loss ("FVTPL"):				
Malaysian government papers	-	383,571	-	383,571
Unquoted debt securities in Malaysia	-	3,877,959	-	3,877,959
Structured products	-	71,452	-	71,452
NICD	-	106,130	-	106,130
- HFT				
Malaysian government papers	-	8,993	-	8,993
Unquoted debt securities in Malaysia	-	4,400	-	4,400
Quoted equity securities in Malaysia	6,235	-	-	6,235
Quoted unit and property trust funds outside Malaysia	7	-	-	7
Total assets	1,566,851	6,211,675	-	7,778,526

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(vi) Transfer between Level 1 and Level 2 in the fair value hierarchy

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hiarerchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2015.

(vii) Reconciliation of level 3 fair value hierarchy

	General Takaful Fund	Family Takaful Fund	
	Financial instruments measured at fair value	Financial instruments measured at fair value	
	AFS RM'000	AFS RM'000	Designated at FVTPL RM'000
As at 1 January 2015	-	-	-
Recognised in income statement:			
Realised loss	(13)	(94)	(56)
Fair value gain/(loss)	-	-	590
Recognised in other comprehensive income as fair value gain:	134	993	-
Disposals	(65)	(480)	(286)
Transfer into Level 3 from Level 2	4,267	31,645	18,815
As at 31 December 2015	4,323	32,064	19,063
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	(13)	(94)	535
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	134	993	-

During the financial year 31 December 2015, the Company transferred certain financial investments from Level 2 into Level 3 of the fair value hierarchy as these assets were valued using valuation models incorporating significant unobservable inputs.

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

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

The Company's exposure to financial instruments measured with valuation techniques using significant unobservable inputs comprised a small number of financial instruments which constitute an insignificant component of the Company's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

44. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2015, as prescribed under the RBCT Framework, is provided below:

Company

	31.12.2015 RM'000	31.12.2014 RM'000
Eligible Tier 1 Capital		
Paid up share capital	400,000	400,000
Valuation surplus in takaful funds	2,633,951	2,510,243
Retained earnings	1,162,281	1,019,961
	4,196,232	3,930,204
Tier 2 Capital		
Available-for-sale reserves	(36,047)	(83,916)
Subordinated obligation	300,000	300,000
	263,953	216,084
Amount deducted from capital	(68,938)	(192,232)
Total Capital Available	4,391,247	3,954,056

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to changes in the current year's presentation. These reclassifications had no financial impact on the statement of financial position, the income statement, the statement of changes in equity and statement of cash flows of the Company.