eTiQa
Takaful

Etiqa Takaful Berhad

(266243-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2014

Ahli Kumpulan Maybank

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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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 2014.

PRINCIPAL ACTIVITIES

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

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	186,260

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.

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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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, Encik Zainal Abidin Jamal and Mr. Loh Lee Soon shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

Pursuant to Section 129 of the Companies Act 1965, Dato' Mohd Salleh Hj Harun shall retire at the forthcoming AGM of the Company and offers himself for re-appoinment to hold office until the conclusion of the next AGM of the Company.

SHARIAH COMMITTEE

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

	Number of SC meetings attended	%
Tan Sri Dato' Seri (Dr.) Haji Harussani Haji Zakaria (Chairman)	8/9	89
Dr. Ismail Mohd @ Abu Hassan	9/9	100
Dr. Mohammad Deen Mohd Napiah	9/9	100
Dr. Ahcene Lahsasna	9/9	100
Sarip Adul	9/9	100
Prof. Datuk Dr. Syed Othman Syed Hussin Alhabshi (Retired on 31 May 2014)	4/4	100

The SC met 9 times during the year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE

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

(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 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 Board met 8 times during the year and the attendance of the directors was as follows:

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

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").

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

	Number of AC meetings attended	%
Loh Lee Soon (Chairman) Independent Non-Executive Director	5/5	100
Gary Lee Crist Non-Independent Non-Executive Director	3/5	60
Koh Heng Kong Independent Non-Executive Director	5/5	100

The AC met 5 times during the year.

CORPORATE GOVERNANCE (CONT'D.)

(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 the 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.

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

	Number of RMC meetings attended	%
Datuk R. Karunakaran (Chairman) Independent Non-Executive Director	6/7	86
Gary Lee Crist Non-Independent Non-Executive Director	5/7	71
Koh Heng Kong Independent Non-Executive Director	7/7	100

The RMC met 7 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 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 a remuneration policy for directors, the CEO and key senior officers and ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy.

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

	Number of NRC meetings attended	%
Dato' Mohd Salleh Hj Harun (Chairman) Independent Non-Executive Director	10/10	100
Tan Sri Dr. Hadenan A. Jalil Independent Non-Executive Director	10/10	100
Dato' Dr. Tan Tat Wai Independent Non-Executive Director	10/10	100
Datuk R. Karunakaran (Appointed on 1 August 2014) Independent Non-Executive Director	4/4	100
Zainal Abidin Jamal (Retired on 7 April 2014) Non-independent Non-Executive Director	3/3	100

The NRC met 10 times during the year.

(g) Investment Committee

The Investment Committee ("IC") reports to the Boards of Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB"), under MAHB.

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 and the attendance of the IC is as follows:

	Number of IC meetings attended	%
Datuk Abdul Farid Alias (Chairman) Non-Independent Executive Director	4/4	100
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.

(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")

The BOC FSA and IFSA was established on 20 June 2014. It is a governance body which carries an oversight function on the re-organisation of Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB") under the FSA and IFSA.

The role of the BOC FSA and IFSA is to revise the MAHB Group's functional structure in compliance with FSA and IFSA that would promote growth sustainability.

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

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

	Number of BOC FSA and IFSA meetings attended	%
Zainal Abidin Jamal (Chairman) Non-Independent Non-Executive Director (Appointed on 20 June 2014)	3/3	100
Frank J.G. Van Kempen Non-Independent Non-Executive Director (Appointed on 20 June 2014)	3/3	100
Koh Heng Kong Independent Non-Executive Director (Appointed on 20 June 2014)	3/3	100

The BOC FSA and IFSA met 3 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.

(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.

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, none of the directors now are exployees of the Company 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, ESOS and RSU of the ultimate holding company, MBB, during the financial year were as follows:

	Numbers of ordinary shares of RM1 each			
	1 January 2014	**DRP***	**Bought**	**31 December 2014**
Direct Interest:				
Dato' Mohd Salleh Haji Harun	337,399	16,733	-	354,132
Dato' Johan Ariffin	249,926	13,075	-	263,001

*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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 claims reported, claims incurred but not reported ("IBNR") and the actuarial valuation of family takaful liabilities.

(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 provision 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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

(i) no material 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 EVENT

There were no significant events during the financial year other than as disclosed in Note 44 to the financial statements.

SUBSEQUENT EVENT

There were no material events subsequent to the end of the financial year that require disclosures or adjustments to the financial statements.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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 24 February 2015.

Dato' Mohd Salleh Hj Harun

Loh Lee Soon

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Dato' Mohd Salleh Haji Harun and Loh Lee Soon, 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 18 to 190 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 2014 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 24 February 2015.

Dato' Mohd Salleh Hj Harun

Loh Lee Soon

Kuala Lumpur, Malaysia
24 February 2015

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 18 to 190 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 24 February 2015

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
MALAYSIA

Ahmad Rizlan Azman

Before me,

Commissioner for Oaths

No. 10-2, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, Tan Sri Dato' Seri (Dr.) Haji Harussani Haji Zakaria 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 2014. 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 2014 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's fund (Participants' Risk Fund) conforms with the respective internal policies and approved by us;

4. all earnings/losses that have been realised/unrealised from sources or by means prohibited by the principles of Shariah and the remedial action plans are disclosed in Notes 5 and 18; and

5. the calculation, payment and distribution of zakat 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 2014 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.

Tan Sri Dato' Seri (Dr.) Haji Harussani Haji Zakaria

Dr. Mohammad Deen Mohd Napiah

Kuala Lumpur, Malaysia
24 February 2015

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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 2014 and 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 2014 , and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 190.

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.

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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 2014 and of its financial performance and cash flows for the year ended 31 December 2014 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	Yeo Beng Yean
AF: 0039	No. 3013/10/16(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
24 February 2015

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014				2013			
		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	1,234	-	-	1,234	2,401	-	-	2,401
Intangible assets	4	5,819	-	-	5,819	4,236	3	67	4,306
Investments	5	1,811,895	1,457,038	8,152,396	11,400,110	1,278,482	1,348,786	7,773,436	10,400,704
Financing receivables	6	20,167	-	7,300	27,467	20,970	-	7,309	28,279
Retakaful assets	7	-	252,566	14,798	267,364	-	205,298	15,817	221,115
Takaful receivables	8	-	77,460	107,148	184,608	-	66,097	140,019	206,116
Other receivables	9	266,254	14,585	186,935	229,774	283,038	19,094	78,808	125,553
Deferred tax assets	16	12,113	3,957	14,662	30,732	5,071	4,933	-	9,062
Qard receivable		36,684	-	-	-	36,684	-	-	-
Current tax assets		-	-	-	-	5,046	-	803	5,849
Cash and bank balances		21,205	49,573	49,798	120,576	45,166	52,673	89,822	187,661
Total assets		2,175,371	1,855,179	8,533,037	12,267,684	1,681,094	1,696,884	8,106,081	11,191,046
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS									
Equity									
Share capital	10	400,000	-	-	400,000	400,000	-	-	400,000
Reserves	11	989,326	-	-	989,107	814,099	-	-	814,099
Total equity		1,389,326	-	-	1,389,107	1,214,099	-	-	1,214,099
Liabilities and Participants' Funds									
Participants' funds	12	-	181,700	2,266,950	2,448,650	-	159,705	2,146,638	2,306,343
Takaful certificate liabilities	13	-	1,395,720	5,894,921	7,269,641	-	1,242,814	5,519,963	6,762,777
Qard payable		-	-	36,684	-	-	-	36,684	-
Subordinated obligation	14	300,000	-	-	300,000	-	-	-	-
Expense liabilities	15	397,742	-	-	397,742	353,742	-	-	353,742
Deferred tax liabilities	16	-	-	-	-	-	-	942	-
Takaful payables	17	7,552	63,282	54,302	125,136	9,360	68,628	67,786	145,774
Other payables	18	76,075	207,465	274,156	319,696	103,893	225,737	334,068	408,311
Profit payable on subordinated obligation	14	1,263	-	-	1,263	-	-	-	-
Current tax liabilities		3,413	7,012	6,024	16,449	-	-	-	-
Total liabilities and participants' funds		786,045	1,855,179	8,533,037	10,878,577	466,995	1,696,884	8,106,081	9,976,947
Total equity, liabilities and participants' funds		2,175,371	1,855,179	8,533,037	12,267,684	1,681,094	1,696,884	8,106,081	11,191,046

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 2014

	Note	2014				2013			
		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	560,113	1,071,550	1,530,897	2,672,250	576,972	934,875	1,789,284	2,767,843
Gross earned contributions	20	-	972,895	1,182,701	2,155,449	-	888,273	1,453,476	2,341,591
Earned contributions ceded to retakaful	20	-	(110,585)	(44,809)	(155,394)	-	(87,205)	(32,647)	(119,852)
Net earned contributions	20	-	862,310	1,137,892	2,000,055	-	801,068	1,420,829	2,221,739
Fee and commission income	21	490,163	15,813	4,710	20,523	533,130	11,224	34	11,258
Investment income	22	69,950	57,803	348,196	475,949	43,842	49,227	335,808	428,877
Net realised gains	23	31,891	6,663	200,720	239,274	22,736	61,418	153,027	237,181
Net fair value gains/(losses)	24	540	494	23,835	24,869	(540)	(854)	(216,280)	(217,674)
Other operating (expenses)/income, net	25	(7,276)	(1,896)	(118,903)	(128,075)	(7,263)	(1,045)	(9,516)	(17,824)
Other revenue		585,268	78,877	458,558	632,540	591,905	119,970	263,073	441,818
Gross benefits and claims paid	26	-	(469,084)	(570,875)	(1,039,959)	-	(548,792)	(725,436)	(1,274,228)
Claims ceded to retakaful	26	-	27,762	24,000	51,762	-	84,430	42,334	126,764
Gross change to certificate liabilities	26	-	(112,054)	(377,898)	(850,535)	-	48,717	(212,690)	(594,470)
Change in certificate liabilities ceded to retakaful	26	-	52,108	(1,019)	51,089	-	(63,668)	(2,817)	(66,485)
Net benefits and claims		-	(501,268)	(925,792)	(1,787,643)	-	(479,313)	(898,609)	(1,808,419)
Management expenses	27	(241,388)	(290)	(37,283)	(278,814)	(227,444)	(1,064)	(32,292)	(260,642)
Change in expense liabilities	30	(44,000)	-	-	(44,000)	(47,614)	-	-	(47,614)
Fee and commission expenses	31	(211,025)	(243,466)	(248,133)	(212,461)	(232,460)	(221,314)	(352,082)	(272,726)
Profit on subordinated obligation		(8,025)	-	-	(8,025)	-	-	-	-
Tax borne by participants	32	-	(10,393)	(9,835)	(20,228)	-	3,784	(11,222)	(7,438)
Other expenses		(504,438)	(254,149)	(295,251)	(563,528)	(507,518)	(218,594)	(395,596)	(588,420)
Operating profit before surplus transfers		80,830	185,770	375,407	281,424	84,387	223,131	389,697	266,718
Surplus transferred to participants' funds		-	(97,497)	(263,086)	-	-	(129,149)	(301,348)	-
Surplus attributable to shareholders		200,594	(88,273)	(112,321)	-	182,331	(93,982)	(88,349)	-
Profit/surplus before taxation		281,424	-	-	281,424	266,718	-	-	266,718
Taxation	32	(89,484)	-	-	(89,484)	(69,705)	-	-	(69,705)
Zakat		(5,680)	-	-	(5,680)	(8,489)	-	-	(8,489)
Net profit for the year		186,260	-	-	186,260	188,524	-	-	188,524
Basic earnings per share (sen)	33	46.57	-	-	46.57	124.21	-	-	124.21

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 2014

	Note	2014				2013			
		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		186,260	-	-	186,260	188,524	-	-	188,524
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		17,179	13,197	56,467	86,624	(22,225)	(5,508)	76,987	49,254
Realised gain transferred to income statement	23	(31,890)	(6,663)	(188,917)	(227,470)	(22,736)	(61,418)	(122,909)	(207,063)
Tax effects relating to components of other comprehensive income	16	3,678	(1,633)	9,846	11,891	11,240	8,669	(7,057)	12,852
Other comprehensive (loss)/ income attributable to participants		-	(4,901)	122,604	117,703	-	58,257	52,979	111,236
Other comprehensive loss for the year, net of tax		(11,033)	-	-	(11,252)	(33,721)	-	-	(33,721)
Total comprehensive income for the year		175,227	-	-	175,008	154,803	-	-	154,803

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 2014

	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 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
At 1 January 2013	100,000	14,119	645,177	759,296
Issue of shares (Note 10)	300,000	-	-	300,000
Net profit after tax for the year	-	-	188,524	188,524
Other comprehensive loss for the year	-	(33,721)	-	(33,721)
Total comprehensive (loss)/income for the year	-	(33,721)	188,524	154,803
At 31 December 2013	400,000	(19,602)	833,701	1,214,099

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

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat		281,424	266,718
Adjustments for:			
Depreciation of property, plant and equipment		665	809
Amortisation of intangible assets		2,754	7,470
Gain on disposal of fixed assets		(1)	-
Fair value (gains)/losses on investments		(24,869)	217,674
Realised gains on disposal of investments		(239,273)	(237,181)
Unrealised gains on foreign exchange		-	(153)
Realised losses on foreign exchange		-	30
Allowance for/(reversal of) impairment losses on:			
- Investments		133,223	8,898
- Takaful receivables		(1,144)	10,081
- Other receivables		615	(91)
- Financing receivables		(9,304)	(7,640)
- Intangible assets		-	6,324
- Retakaful assets		4,875	-
Profit income		(436,860)	(407,011)
Finance cost		8,025	-
Gross dividend/distribution income		(45,957)	(31,219)
Net amortisation of premiums		4,336	7,174
Increase in net contribution liabilities		40,817	1,774
Surplus transferred from general takaful fund		97,497	129,149
Surplus transferred from family takaful fund		263,086	301,348
Operating cash flows before working capital changes		79,909	274,154
Changes in working capital:			
Proceeds from sale of investments		6,102,774	4,645,549
Purchase of investments		(7,426,815)	(5,789,832)
Decrease/(increase) in takaful receivables		22,652	(17,864)
(Increase)/decrease in other receivables		(96,704)	29,880
Decrease in takaful payables		(20,638)	(8,975)
(Decrease)/increase in other payables		(43,472)	103,159
Increase in expense liabilities		44,000	47,614
Decrease in financing receivables		10,116	16,602
Decrease in placements of deposits with financial institutions		310,371	39,650
(Decrease)/increase in retakaful assets		(51,089)	66,485
Increase in claims liabilities		466,012	167,764
Operating cash flows after working capital changes		(602,884)	(425,814)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)			
Profit income received		431,044	398,490
Gross dividend/distribution income received		42,656	26,075
Zakat paid		(8,426)	(10,089)
Taxation paid		(117,291)	(119,029)
Tax refund		21,084	21,262
Mudharabah paid to participants		(117,516)	(70,025)
Net cash flows used in operating activities	36	(351,333)	(179,130)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		2	-
Purchase of intangible assets		(8,923)	(8,972)
Purchase of property, plant and equipment		(69)	(1,004)
Net cash flows used in investing activities	36	(8,990)	(9,976)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid on subordinated obligation		(6,762)	-
Issuance of share capital		-	300,000
Issuance of subordinated obligation		300,000	-
Net cash flows generated from financing activities	36	293,238	300,000
(Decrease)/increase in cash and cash equivalents	36	(67,085)	110,894
Cash and cash equivalents at beginning of year		187,661	76,767
Cash and cash equivalents at end of year		120,576	187,661
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		21,205	45,166
General takaful fund		49,573	52,673
Family takaful fund		49,798	89,822
		120,576	187,661

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 business.

There have been no significant changes in the nature of the activities of the Company 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 holding and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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.

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

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

At the beginning of the current financial year, the Company had adopted all new and revised MFRSs, Amendments to MFRS and Issues Committee ("IC") Interpretations effective for annual periods beginning on or after 1 January 2014. The adoption of these new and revised MFRSs, Amendments to MFRS and IC Interpretations did not result in any significant impact to the financial position or performance of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

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.

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

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 the 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 licence 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") and, previously, the Takaful Act 1984, 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 Statement, 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 Bank Negara Malaysia reporting.

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 is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow 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 the profit or loss as incurred.

Work-in-progress are 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	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 licences. 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 the 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 licences

The useful lives of computer software and licences are amortised using the straight-line method over their estimated useful lives of 4 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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 instrument.

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 at FVTPL include financial assets held-for-trading ("HFT") and financial assets designated upon initial recognition at FVTPL. 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.

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.)

Financial assets can only be designated 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.

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 losses 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(h) and Note 2.2(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Financial assets (cont'd.)

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

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.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company have 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 is 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.

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 (cont'd.)

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.

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

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 consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment (cont'd.)

(i) Takaful receivables (cont'd.)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment (cont'd.)

(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.

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 equity 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Impairment of 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.

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. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

(h) 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(i) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Retakaful assets (cont'd.)

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.

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)(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.

(i) Product classification

The Company, as the operator of the participants' funds, issues certificates that contain takaful risk or both financial and takaful underwritting 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 with no significant takaful risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Product classification (cont'd.)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Shareholder's fund

Expense liabilities

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.

(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 reserve ("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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Expense liabilities (cont'd.)

(ii) Expense liabilities of family takaful fund (cont'd.)

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

(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 cashflows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in profit or loss.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Contribution income (cont'd.)

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.

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

(ii) 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.

<u>Mudharabah</u>

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.)

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

(ii) Contribution 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 business; and
- 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.)

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

(ii) Contribution 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.

(iii) 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.

(iv) 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.)

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

(v) 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.

(vi) 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.

(l) 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 suplus/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.)

(l) 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 unitholders 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.

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 unitholders.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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.)

(l) 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.

(m) 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.)

(m) 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.

(n) 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)(i).

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

(o) Cash and cash equivalents

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

(p) 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.)

(p) 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.

(q) 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%.

(r) 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.

(s) 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.)

(s) 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.

(t) 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.)

(t) 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.)

(u) 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.

(v) 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.)

(w) 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.

(x) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in equity in the year in which they are declared.

2.3 Changes in accounting policies

At the beginning of the current financial year, the Company adopted all new and revised MFRSs, Amendments to MFRS and IC Interpretations effective for annual periods beginning on or after 1 January 2014 and the adoption of these MFRSs, Amendments to MFRS and IC Interpretations did not result in any significant impact other than as follows:

(i) **MFRS 132** *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and retrospective application is required. These amendments have no impact on the Company, since the Company does not has any offsetting arrangements.

(ii) **MFRS 136** *Impairment of Assets* - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)

The amendments require the disclosure of recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period and retrospective application is required.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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 2014)	1 January 2018
MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its or Joint Venture (Amendments to MFRS 10)	1 January 2016
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 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 - Sale 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 MFRS 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRS 2011 - 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS *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 restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

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 summarized below:

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. The Company are in the process of assessing the financial implications for adopting the new standard.

(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 available-for-sale ("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 principle 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Classification and measurement (cont'd.)

- 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 fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, and may have no impact on the classification and measurement of the Company's financial liabilities.

(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 are in the process of assessing the financial implications for adopting the new standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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 reemphasises 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 statements of profit or loss and other comprehensive income and statement of financial position 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 statements of profit or loss and other comprehensive income and statement of financial position, 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 statement of financial position or statements of profit or loss and other comprehensive income.

For additional subtotals presented in the statements of profit or loss and other comprehensive income, an entity must presents 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.)

2.4 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 statements of profit or loss and other comprehensive income and statement of financial position, 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 income statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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 does 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 July 2014 with earlier application permitted:

<u>**Annual Improvements to MFRS 2010 - 2012 Cycle**</u>

(i) **MFRS 2 *Share-based Payment***

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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 July 2014 with earlier application permitted (cont'd.):

Annual Improvements to MFRS 2010 - 2012 Cycle (cont'd.)

(ii) MFRS 3 *Business Combinations*

The amendment to MFRS 3 is applied prospectively and it clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 *Financial Instruments: Presentation.* The amendment also clarifies that contingent consideration that is classified as an asset or a liability should be subsequently measured at fair value through profit or loss at each reporting date (whether or not they fall within the scope of MFRS 9 or MFRS 139, as applicable) and changes in fair value should be recognised in the income statements.

The amendment is effective for business combination for which the acquisition date is on or after 1 July 2014.

(iv) MFRS 13 *Fair Value Measurement*

The amendment relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS/MFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(v) MFRS 116 *Property, Plant and Equipment* and MFRS 138 *Intangible Assets*

The amendments are applied retrospectively and clarify that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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 July 2014 with earlier application permitted (cont'd.):

<u>Annual Improvements to MFRS 2010 - 2012 Cycle (cont'd.)</u>

(vi) MFRS 124 *Related Party Disclosures*

The amendment to MFRS 124 is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party and subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

<u>Annual Improvements to MFRS 2011 - 2013 Cycle</u>

(i) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

The amendment relates to the MASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(ii) MFRS 3 *Business Combinations*

The amendment to MFRS 3 is applied prospectively and clarifies for the scope exceptions within MFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of MFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

(iii) MFRS 13 *Fair Value Measurement*

The amendment to MFRS 13 is applied prospectively and it clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments,* regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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 July 2014 with earlier application permitted (cont'd.):

Annual Improvements to MFRS 2011 - 2013 Cycle (cont'd)

(iv) MFRS 140 *Investment Property*

The amendment to MFRS 140 is applied prospectively and it clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

Annual Improvements to MFRSs 2012–2014 Cycle

(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, rather it is a contnuation 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.

(ii) MFRS 7 *Financial Instruments: Disclosures*

Servicing Contracts

An entity is required to provide disclosures for any continuing involvement in a trasferred 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 whther 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 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 July 2014 with earlier application permitted (cont'd.):

Annual Improvements to MFRSs 2012–2014 Cycle (cont'd.)

(ii) MFRS 7 *Financial Instruments: Disclosures*

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments

(a) Critical judgments made in applying accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

(i) Impairment of AFS financial assets

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than its cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology; and operational and financial cash flows.

(ii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Takaful Operators (BNM/RH/STD/ 033-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the receivables are past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Amortisation and impairment of intangible assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(i) Amortisation and impairment of intangible assets (cont'd)

The determination of the estimated useful lives of these intangible assets require management to analyse the circumstances, the industry and market practice and also to use judgement. At each reporting date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

(ii) Valuation of general takaful liabilities

The principal uncertainties in the valuation of liabilities of general takaful business primarily arise from its claim liabilities and its contribution liabilities, specifically, in relation to URR.

In general, the valuation of claim liabilities and URR is performed to include IBNR claims which have yet to be reported to the Company and to cover the future losses that may arise as included in the URR. The valuation of these liabilities are premised on the fact that IBNR and future losses can be estimated based on historical experience including past experience with similar cases, historical claim development trends, trends in respect of legislative changes and judicial decisions as well as developments in economic conditions and claims handling procedures. These are all considered by a qualified actuary in developing an estimate of the claim and contribution liabilities.

However, any estimation process is inherently uncertain and the only certainty is that actual claim and premium/contribution liabilities will not develop exactly as projected and may vary from the estimated liabilities. This is mitigated to some extent through the inclusion of the PRAD.

In addition, the sensitivities of the claim liabilities (and indirectly, the contribution liabilities) is assessed by the management of the Company regularly in accordance with Guidelines issued by BNM. Details of sensitivity analyses performed is also disclosed in Note 40 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Valuation of general takaful liabilities (cont'd.)

The Company is of the view that the general takaful liabilities as at the reporting date are reasonably adequate and the estimation uncertainties have been duly mitigated via adherence to the methods prescribed in the RBCT Framework and the sensitivity analyses performed.

(iii) Valuation of family takaful liabilities

The estimation of family takaful liabilities are aimed at determining the liabilities arising from certificates in force at the reporting date and are determined in accordance with the RBCT Framework as issued by BNM. The valuation of family takaful liabilities are based on an actuarial model which utilises certain key assumptions relating to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates, adjusted when appropriate to reflect the Company's unique risk exposure, in order to determine the basis of future certificate benefits payable.

Whilst these estimates are reassessed in terms of relevance and adequacy at each reporting data and the changes are reflected as adjustments to the family takaful liabilities, it is certain that actual mortality, morbidity and longevity (amongst others) will vary from the estimates used for each participant.

Similar to general takaful liabilities, this uncertainty is mitigated to some extent through the inclusion of the PRAD as well as sensitivity analyses performed by management of the Company, details of which are presented in Note 40 to the financial statements.

Accordingly, the Company is of the view that the family takaful liabilities as at the reporting date are reasonably adequate and the estimation uncertainties have been duly mitigated via adherence to the methods prescribed in the RBCT Framework and the sensitivity analyses performed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(iv) Valuation of expense liabilities for shareholder's fund

The valuation of the expense liabilities of the Company aim to model the expenses that would be incurred by the Company in managing the general and family takaful certificates that are in force at the reporting date. Similar to the valuation of the general and family takaful liabilities, the estimation of expense liabilities are performed by a qualified actuary in accordance with the requirements of the RBCT Framework.

As stipulated earlier, estimations are inherently uncertain and this has been mitigated to some extent via the inclusion of a PRAD. As the expenses incurred in managing certificates are correlated to certain key assumptions including longevity, claim frequency and severity as well as claim handling procedures, the sensitivity of expense liabilities are implicitly considered in the sensitivity analyses performed by management of the Company.

Accordingly, the Company is of the view that the expense liabilities as at the reporting date are reasonably accurate and the estimation uncertainties have been duly mitigated via adherence to the methods prescribed in the RBCT Framework and the sensitivity analyses performed.

(v) Deferred taxation

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in profit or loss in the financial year in which actual realisation and settlement occurs.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

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

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

Shareholder's fund

2013	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	2,967	893	323	406	4,589
Additions	799	99	-	106	1,004
Write off	(41)	(238)	-	-	(279)
Reclassified (to)/from intangible assets (Note 4)	(83)	(16)	-	58	(41)
At 31 December	3,642	738	323	570	5,273
Accumulated Depreciation					
At 1 January	1,636	464	290	-	2,390
Charge for the year	603	172	33	-	808
Write off	(27)	(238)	-	-	(265)
Reclassified to intangible assets (Note 4)	(21)	(40)	-	-	(61)
At 31 December	2,191	358	323	-	2,872
Net Book Value					
At 31 December	1,451	380	-	570	2,401

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

General takaful fund

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
2014			
Cost			
At 1 January/31 December	23	-	23
Accumulated Depreciation			
At 1 January/31 December	23	-	23
Net Book Value			
At 31 December	-	-	-
2013			
Cost			
At 1 January/31 December	23	-	23
Accumulated Depreciation			
At 1 January	22	-	22
Charge for the year	1	-	1
At 31 December	23	-	23
Net Book Value			
At 31 December	-	-	-

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

Family takaful fund

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
2014/2013			
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

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

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

Company

2013	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	3,022	898	323	406	4,649
Additions	799	99	-	106	1,004
Write off	(41)	(238)	-	-	(279)
Reclassified (to)/from intangible assets (Note 4)	(83)	(16)	-	58	(41)
At 31 December	3,697	743	323	570	5,333
Accumulated Depreciation					
At 1 January	1,690	469	290	-	2,449
Charge for the year	604	172	33	-	809
Write off	(27)	(238)	-	-	(265)
Reclassified to intangible assets (Note 4)	(21)	(40)	-	-	(61)
At 31 December	2,246	363	323	-	2,932
Net Book Value					
At 31 December	1,451	380	-	570	2,401

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
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

4. INTANGIBLE ASSETS (CONT'D.)

Computer software and licences

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2013				
Cost				
At 1 January	34,595	11,234	9,922	55,751
Additions	8,972	-	-	8,972
Write off	(4,240)	-	-	(4,240)
Reclassified from property, plant and equipment (Note 3)	41	-	-	41
At 31 December	39,368	11,234	9,922	60,524
Accumulated Amortisation and Impairment losses				
At 1 January	25,923	11,216	9,449	46,588
Amortisation charge for the year	7,049	15	406	7,470
Write off	(4,225)	-	-	(4,225)
Impairment loss for the year	6,324	-	-	6,324
Reclassified from property, plant and equipment (Note 3)	61	-	-	61
At 31 December	35,132	11,231	9,855	56,218
Net Book Value				
At 31 December	4,236	3	67	4,306

5. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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	24,577	28,700
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
Quoted unit and property trust funds in Malaysia	-	-	7	7
Deposits with financial institutions	122,487	118,275	373,870	614,632
	1,811,895	1,457,038	8,152,396	11,400,110
2013				
Malaysian government papers	2,003	321,910	1,201,088	1,525,001
Debt securities	985,257	655,980	4,786,824	6,428,061
Equity securities	150,227	24,725	1,025,903	1,200,855
Unit and property trust funds	2,352	-	30,156	32,508
Structured products (Note 5(a))	23,775	18,342	118,887	161,004
NICD	-	9,176	119,096	128,272
Deposits with financial institutions	114,868	318,653	491,482	925,003
	1,278,482	1,348,786	7,773,436	10,400,704

Included in equity investments of the shareholder's fund and the general and family takaful funds are investments in Shariah compliant securities listed on the Main Market of Bursa Malaysia which were subsequently categorised as non-Shariah compliant securities 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 during the year are as follows:

	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)

As the carrying amount of these investments were less than the original cost at the reporting date, these assets will be held until such time as the fair values equal or exceed the original cost, as detailed in the Company's policies which were previously approved the Shariah Committee and Board of Directors. The dividend income earned will be transferred to Baitumal account for charitable causes in the future.

5. INVESTMENTS (CONT'D.)

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
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	-	(3,227)	4,439,112	4,435,885
- Held for trading ("HFT")	-	-	19,635	19,635
Loans and receivables ("LAR")	122,487	118,275	373,870	614,632
	1,811,895	1,457,038	8,152,396	11,400,110
2013				
Available-for-sale ("AFS")	1,165,722	1,033,854	2,657,088	4,856,664
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	(2,108)	(3,721)	4,624,866	4,619,037
- Held for trading ("HFT")	-	-	-	-
Loans and receivables ("LAR")	114,868	318,653	491,482	925,003
	1,278,482	1,348,786	7,773,436	10,400,704

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
2014				
AFS	2,196,395	1,753,582	2,684,639	6,634,616
FVTPL				
- Designated upon initial recognition	-	-	6,562,708	6,562,708
- HFT	-	-	12,700	1,311
	2,196,395	1,753,582	9,260,047	13,198,635
2013				
AFS	1,561,227	1,354,776	2,190,020	5,106,023
FVTPL				
- Designated upon initial recognition	-	-	6,143,606	6,143,606
	1,561,227	1,354,776	8,333,626	11,249,629

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5. INVESTMENTS (CONT'D.)

(i) AFS

	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
2013				
At fair value:				
Malaysian government papers	2,003	321,910	245,021	568,934
Unquoted debt securities in Malaysia	985,257	655,980	1,339,095	2,980,332
Quoted equity securities in Malaysia	150,195	24,725	1,025,903	1,200,823
Quoted unit and property trust funds in Malaysia	2,352	-	30,156	32,508
Structured products (Note 5(a))	25,883	22,063	-	47,946
NICD	-	9,176	16,913	26,089
	1,165,690	1,033,854	2,657,088	4,856,632
At cost:				
Unquoted equity securities in Malaysia				
Cost	230	-	-	230
Less: Allowance for Impairment	(198)	-	-	(198)
	32	-	-	32
Total AFS investments	1,165,722	1,033,854	2,657,088	4,856,664

5. INVESTMENTS (CONT'D.)

(ii) FVTPL

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
- Designated upon initial recognition				
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))	-	(3,227)	71,452	68,225
NICD	-	-	106,130	106,130
	-	(3,227)	4,439,112	4,435,885
2013				
At fair value:				
Malaysian government papers	-	-	956,067	956,067
Unquoted debt securities in Malaysia	-	-	3,447,729	3,447,729
Structured products (Note 5(a))	(2,108)	(3,721)	118,887	113,058
NICD	-	-	102,183	102,183
	(2,108)	(3,721)	4,624,866	4,619,037
- HFT				
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
	-	-	19,635	19,635

5. INVESTMENTS (CONT'D.)

(iii) LAR

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
2013				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	110,251	292,121	439,673	842,045
Others	4,617	26,532	51,809	82,958
	114,868	318,653	491,482	925,003

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 (2013: 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:

	2014		2013	
	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	75,000	71,452	125,000	118,887
Bifurcated derivatives relating to structured products of * :				
Shareholder's fund	-	-	-	(2,108)
General takaful fund	-	(3,227)	-	(3,721)
	75,000	68,225	125,000	113,058
AFS financial assets				
Host contract relating to structured products of * :				
Shareholder's fund	-	-	25,000	25,883
General takaful fund	20,000	21,862	20,000	22,063
	20,000	21,862	45,000	47,946
Grand total	95,000	90,087	170,000	161,004

* 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.

6. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
2013				
Corporate loans	-	3,331	24,457	27,788
Staff loans:				
Secured	18,856	-	-	18,856
Unsecured	54	-	-	54
Others	3,123	-	17	3,140
Allowance for impairment losses	(1,063)	(3,331)	(17,165)	(21,559)
	20,970	-	7,309	28,279
Receivable after 12 months	16,758	-	-	16,758

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 2.78% (2013: 4.69%).

7. RETAKAFUL ASSETS

	31.12.2014 RM'000	31.12.2013 RM'000
Retakaful operators' share of:		
General takaful certificate liabilities (Note 13)	257,441	205,298
Family takaful certificate liabilities (Note 13)	14,798	15,817
Allowance for impairment losses		
- General takaful	(4,875)	-
- Family takaful	-	-
	267,364	221,115

8. TAKAFUL RECEIVABLES

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014			
Due contributions including agents/ brokers and co-takaful balances	57,994	77,363	135,357
Due from retakaful operators	36,948	36,410	73,358
	94,942	113,773	208,715
Allowance for impairment losses	(17,482)	(6,625)	(24,107)
	77,460	107,148	184,608
2013			
Due contributions including agents/ brokers and co-takaful balances	58,056	158,235	216,291
Due from retakaful operators	28,748	33,120	61,868
	86,804	191,355	278,159
Allowance for impairment losses	(20,707)	(51,336)	(72,043)
	66,097	140,019	206,116

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 RM1,898,218 (2013: RM4,470,758) as disclosed in Note 38. The amounts receivable are subject to settlement terms stipulated in the takaful contracts.

9. OTHER RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Sundry receivables, deposits and prepayments	4,499	1,300	858	6,657
Allowance for impairment losses	(2,006)	(32)	(466)	(2,504)
	2,493	1,268	392	4,153
Investment profit 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
	266,254	14,585	186,935	229,774
2013				
Sundry receivables, deposits and prepayments	14,497	1,195	1,266	16,958
Allowance for impairment losses	(1,350)	-	(539)	(1,889)
	13,147	1,195	727	15,069
Investment profit receivable	12,324	11,123	77,885	101,332
Amounts due from:				
General takaful fund*	106,966	-	-	-
Family takaful fund*	148,411	10	-	-
Amounts due from stockbrokers	2,190	6,766	196	9,152
	283,038	19,094	78,808	125,553

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.

10. SHARE CAPITAL

Shareholder's fund	**No. of shares '000**	**Amount RM'000**
2014/2013		
Authorised:		
Ordinary shares of RM1.00 each		
At 1 January/31 December	500,000	500,000
2014		
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At 1 January/31 December	400,000	400,000
2013		
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At 1 January	100,000	100,000
Issued during the year	300,000	300,000
At 31 December	400,000	400,000

In prior financial year, the Company issued 300,000,000 new ordinary shares of RM1.00 each to its holding company, Maybank Ageas Holdings Berhad ("MAHB"), at par for cash as disclosed above. The new ordinary shares issued on 30 October 2013 ranked *pari passu* in all respects with the existing ordinary shares of the Company in existence as of the issue date above.

11. RESERVES

	2014 RM'000	2013 RM'000
Company		
Non-distributable:		
AFS reserves	(30,635)	(19,602)
Less: Seed money elimination	(219)	-
	(30,854)	(19,602)
Distributable:		
Retained profits	1,019,961	833,701
	989,107	814,099

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.

12. PARTICIPANTS' FUND

	2014 RM'000	2013 RM'000
Takaful funds and Company		
General takaful fund (Note (a))	181,700	159,705
Family takaful fund (Note (b))	2,266,950	2,146,638
	2,448,650	2,306,343

(a) General takaful fund	2014 RM'000	2013 RM'000
Accumulated surplus (Note (i))	202,806	185,712
AFS reserves (Note (ii))	(21,106)	(26,007)
	181,700	159,705

12. PARTICIPANTS' FUND (CONT'D.)

(a) General takaful fund (cont'd)

(i) Accumulated surplus

	2014 RM'000	2013 RM'000
At 1 January	185,712	90,922
Surplus arising during the year	97,497	129,149
Hibah paid to participants during the year	(80,403)	(34,359)
At 31 December	202,806	185,712

(ii) AFS reserves

	2014 RM'000	2013 RM'000
At 1 January	(26,007)	32,250
Net gain on fair value changes	13,197	(5,508)
Realised gain transferred to income statement (Note 23)	(6,663)	(61,418)
Deferred tax on fair value changes (Note 16)	(1,633)	8,669
At 31 December	(21,106)	(26,007)

(b) Family takaful fund

	2014 RM'000	2013 RM'000
Accumulated surplus (Note (i))	2,270,764	2,046,700
Surplus attributable to participants (Note (ii))	29,704	10,852
AFS reserves (Note (iii))	(33,518)	89,086
	2,266,950	2,146,638

12. PARTICIPANTS' FUND (CONT'D.)

(b) Family takaful fund (cont'd)

	2014 RM'000	2013 RM'000
(i) Accumulated surplus		
At 1 January	2,046,700	1,787,174
Surplus arising during the year	263,086	301,348
Surplus attributable to participants during the year	(18,852)	(10,852)
Hibah paid to participants during the year	(20,170)	(30,970)
At 31 December	2,270,764	2,046,700

	2014 RM'000	2013 RM'000
(ii) Surplus attributable to participants		
At 1 January	10,852	-
Surplus attributable to participants during the year	18,852	10,852
At 31 December	29,704	10,852

	2014 RM'000	2013 RM'000
(iii) AFS reserves		
At 1 January	89,086	142,065
Net gain on fair value changes	56,467	76,987
Realised gain transferred to income statement (Note 23)	(188,917)	(122,909)
Deferred tax on fair value changes (Note 16)	9,846	(7,057)
At 31 December	(33,518)	89,086

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13. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful RM'000	Net RM'000
Takaful funds			
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
2013			
General takaful fund (Note (a))	1,242,814	(205,298)	1,037,516
Family takaful fund (Note (b))	5,519,963	(15,817)	5,504,146
	6,762,777	(221,115)	6,541,662

(a) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
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
2013			
Claims liabilities (Note (i))	699,800	(173,839)	525,961
Contribution liabilities (Note (ii))	543,014	(31,459)	511,555
	1,242,814	(205,298)	1,037,516

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
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
2013			
At 1 January	748,517	(237,507)	511,010
Claims incurred in the current accident year	565,662	(59,005)	506,657
Movement in claims incurred in prior accident years	(45,080)	15,714	(29,366)
Claims paid during the year	(548,792)	84,430	(464,362)
Movements in PRAD	(20,507)	22,529	2,022
At 31 December	699,800	(173,839)	525,961

(ii) Contribution liabilities

	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
2013			
At 1 January	545,639	(35,858)	509,781
Contributions written during the year	885,648	(82,806)	802,842
Contributions earned during the year	(888,273)	87,205	(801,068)
At 31 December	543,014	(31,459)	511,555

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(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
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 unitholders (Note (ii))	22,296	-	22,296
	5,894,921	(14,798)	5,880,123
2013			
Claims liabilities (Note (ii))	67,385	(540)	66,845
Actuarial liabilities (Note (ii))	5,452,578	(15,277)	5,437,301
	5,519,963	(15,817)	5,504,146

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 Unitholders 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

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 Unitholders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
2013						
At 1 January	128,053	5,118,543	56,886	5,303,482	(18,634)	5,284,848
Net earned contribution	-	-	-	-	(32,647)	(32,647)
Other revenue	-	-	1,976	1,976	-	1,976
Experience/benefit variation	3,791	-	-	3,791	(9,687)	(5,896)
Claims intimated during the year	603,268	(603,268)	-	-	(427)	(427)
Claims paid during the year	(667,727)	-	(57,709)	(725,436)	42,334	(683,102)
Other expenses	-	-	(1,076)	(1,076)	-	(1,076)
Taxation	-	-	(77)	(77)	-	(77)
Increase in certificate reserves	-	937,303	-	937,303	3,244	940,547
At 31 December	67,385	5,452,578	-	5,519,963	(15,817)	5,504,146

14. SUBORDINATED OBLIGATION

	2014 RM'000
Tier 2 Capital Subordinated Sukuk	300,000
Profit payable on subordinated obligations	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 RM300,978,000 and is determined by reference to indicative ask-price obtained from Bondweb provided by BPAM.

15. EXPENSE LIABILITIES

	2014 RM'000	2013 RM'000
Shareholder's fund/Company		
UWF of general takaful fund	97,820	87,547
UER of family takaful fund	299,922	266,195
	397,742	353,742

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
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
2013			
At 1 January	83,104	223,024	306,128
Wakalah fee received during the year (Note 21)	221,314	-	221,314
Wakalah fee earned during the year	(216,871)	-	(216,871)
Movement in UWF (Note 30)	4,443	-	4,443
Movement in UER (Note 30)		43,171	43,171
At 31 December	87,547	266,195	353,742

16. DEFERRED TAXATION

	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
2013				
At 1 January	(5,245)	-	(67)	(5,312)
Recognised in :				
Income statement (Note 32)	(924)	-	-	(924)
Other comprehensive income/ participants' fund	11,240	8,669	(7,057)	12,852
Tax borne by participants (Note 32)	-	(3,736)	6,182	2,446
At 31 December	5,071	4,933	(942)	9,062

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:

Shareholder's fund	**2014 RM'000**	**2013 RM'000**
Deferred tax assets	13,591	7,906
Deferred tax liabilities	(1,478)	(2,835)
	12,113	5,071

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**
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
2013						
At 1 January	493	1,130	(4,706)	-	161	(2,922)
Recognised in:						
Income statement	(35)	(616)	-	135	104	(412)
Other comprehensive income	-	-	11,240	-	-	11,240
At 31 December	458	514	6,534	135	265	7,906

16. DEFERRED TAXATION (CONT'D.)

Shareholder's fund (cont'd)

(ii) Deferred tax liabilities

	Accelerated capital allowances RM'000	Total RM'000
2014		
At 1 January	(2,835)	(2,835)
Recognised in income statement	1,357	1,357
At 31 December	(1,478)	(1,478)
2013		
At 1 January	(2,323)	(2,323)
Recognised in income statement	(512)	(512)
At 31 December	(2,835)	(2,835)

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 shown in the statement of financial position has been determined after appropriate offsetting as follows:

General takaful fund

	2014 RM'000	2013 RM'000
Deferred tax assets	8,333	10,005
Deferred tax liabilities	(4,376)	(5,072)
	3,957	4,933

The components and movements of deferred tax assets/(liabilities) of the General'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	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
2013				
At 1 January	-	-	-	-
Recognised in:				
Income statement	-	1,123	213	1,336
Participants' fund	8,669	-	-	8,669
At 31 December	8,669	1,123	213	10,005

(ii) Deferred tax liabilities

	Net accretion of discounts on investments RM'000	Impairment on takaful receivables RM'000	Takaful contract liabilities RM'000	Total RM'000
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)
2013				
At 1 January	-	-	-	-
Recognised in income statement	(388)	(4,642)	(42)	(5,072)
At 31 December	(388)	(4,642)	(42)	(5,072)

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	2014 RM'000	2013 RM'000
Deferred tax assets	14,807	6,115
Deferred tax liabilities	(145)	(7,057)
	14,662	(942)

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
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
2013					
At 1 January	-	-	-	(67)	(67)
Recognised in income statement	-	2,134	159	3,889	6,182
At 31 December	-	2,134	159	3,822	6,115

(ii) Deferred tax liabilities

	Net amortisation of premiums/(accretion) of discounts on investments RM'000	AFS reserves RM'000	Total RM'000
2014			
At 1 January	159	-	159
Recognised in income statement	(304)		(304)
At 31 December	(145)	-	(145)
2013			
At 1 January	-	-	-
Recognised in:			
Income statement	-	-	-
Participants' fund	-	(7,057)	(7,057)
At 31 December	-	(7,057)	(7,057)

17. TAKAFUL PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Amounts due to agents and brokers	7,552	20,589	24,541	52,682
Amounts due to retakaful operators	-	42,693	29,761	72,454
	7,552	63,282	54,302	125,136
2013				
Amounts due to agents and brokers	9,360	38,493	49,076	96,929
Amounts due to retakaful operators	-	30,135	18,710	48,845
	9,360	68,628	67,786	145,774

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 party amounting to RM801,629 (2013: Nil) are disclosed in Note 38. The amounts payables are subject to settlement terms stipulated in the takaful contracts.

18. OTHER PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Contribution deposits	600	4,809	89,922	95,331
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*	6,876	-	-	6,876
Zakat payable	8,086	-	-	8,086
Provisions	21,903	-	-	21,903
Sundry payables and accrued liabilities**	27,318	17,071	13,629	58,018
	76,075	207,465	274,156	319,696

18. OTHER PAYABLES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2013				
Contribution deposits	754	3,293	118,014	122,061
Amounts due to:				
Shareholder's fund*	-	106,966	148,411	-
General takaful fund*	-	-	10	-
Amount due to stockbrokers	5,528	10,153	40,121	55,802
Unclaimed monies	1,430	20,737	16,143	38,310
Service tax payable	-	1,071	73	1,144
Mudharabah payable	-	56,610	10	56,620
Witholding tax payable	-	7,842	4,227	12,069
Amount due to ultimate holding company*	12,306	69	411	12,786
Amount due to holding company*	1,087	-	-	1,087
Amount due to related parties*	14,828	-	-	14,828
Zakat payable	10,832	-	-	10,832
Provisions	24,063	-	-	24,063
Sundry payables and accrued** liabilities	33,065	18,996	6,648	58,709
	103,893	225,737	334,068	408,311

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 is an amount of RM87,898 (2013: RM242,594) payable to Baitulmal and non profit organisations. This amount relates to profit commissions received from reinsurers amounting to RM102,335 (2013: RM75,590) which meet the defination of non-Shariah compliant transactions.

19. OPERATING REVENUE

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
2013				
Wakalah fees (Note 21)	533,130	-	-	-
Investment income (Note 22)	43,842	49,227	335,808	428,877
Gross contributions (Note 20)	-	885,648	1,453,476	2,338,966
	576,972	934,875	1,789,284	2,767,843

20. NET EARNED CONTRIBUTION

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
(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
2013			
(a) Gross contribution	885,648	1,453,476	2,338,966
Change in unearned contribution reserves	2,625	-	2,625
	888,273	1,453,476	2,341,591
(b) Contributions ceded to retakaful operators	(82,806)	(32,647)	(115,453)
Change in unearned contribution reserves	(4,399)	-	(4,399)
	(87,205)	(32,647)	(119,852)
Net earned contributions	801,068	1,420,829	2,221,739

21. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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
2013				
Wakalah fee income:				
General takaful fund	221,314	-	-	-
Family takaful fund	311,816	-	-	-
Profit commission	-	-	-	-
Retakaful commission income	-	10,803	34	10,837
Others	-	421	-	421
	533,130	11,224	34	11,258

22. INVESTMENT INCOME

	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 trusts 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

22. INVESTMENT INCOME (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2013				
AFS financial assets:				
Profit income	37,771	39,251	78,195	155,217
Dividend/distribution income:				
Quoted equity securities in Malaysia	3,219	4,611	21,491	29,321
Quoted unit and property trusts funds in Malaysia	135	285	1,478	1,898
Financial assets at FVTPL:				
- Designated upon initial recognition				
Profit income	-	-	217,775	217,775
- HFT				
Profit income	-	-	27	27
LAR:				
Profit income	4,082	7,353	19,153	30,588
Profit income from financing receivables	817	-	2,587	3,404
Net amortisation of premiums	(1,913)	(1,982)	(3,279)	(7,174)
Investment related expenses	(269)	(291)	(1,619)	(2,179)
	43,842	49,227	335,808	428,877

23. NET REALISED GAINS

	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

23. NET REALISED GAINS (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2013				
Net realised gains/(losses) on disposal of:				
AFS financial assets				
Malaysian government papers	56	2,524	285	2,865
Equity securities	19,146	54,450	108,866	182,462
Debt securities	3,528	3,887	11,456	18,871
Other investments	6	557	2,302	2,865
	22,736	61,418	122,909	207,063
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	-	856	856
Debt securities	-	-	27,633	27,633
	-	-	28,489	28,489
- HFT				
Debt securities	-	-	(34)	(34)
Foreign notes	-	-	1,663	1,663
	-	-	1,629	1,629
Total net realised gains	22,736	61,418	153,027	237,181

24. NET FAIR VALUE GAINS/(LOSSES)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Financial assets at FVTPL:				
- Designated upon initial recognition	540	494	23,977	25,011
- HFT	-	-	(142)	(142)
	540	494	23,835	24,869
2013				
Financial assets at FVTPL:				
- Designated upon initial recognition	(540)	(854)	(215,284)	(216,678)
- HFT	-	-	(996)	(996)
	(540)	(854)	(216,280)	(217,674)

25. OTHER OPERATING (EXPENSES)/INCOME, NET

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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

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
2014				
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)
2013				
Other income				
Surrender charges	232	-	-	232
Unrealised gain on foreign exchange	-	-	153	153
Reversal of impairment losses on:				
- Financing receivables	-	50	8,031	8,081
- Takaful receivables	-	414	-	414
- Other receivables	80	-	11	91
Sundry income	9	-	2	11
	321	464	8,197	8,982
Other expenses				
Realised loss on foreign exchange	(1)	(5)	(24)	(30)
Allowance for impairment losses on:				
- Investments	(765)	(607)	(7,526)	(8,898)
- Financing receivables	(441)	-	-	(441)
- Takaful receivables	-	(376)	(10,119)	(10,495)
- Intangible assets	(6,324)	-	-	(6,324)
Processing fee expenses	(53)	-	(44)	(97)
Sundry expenditure	-	(521)	-	(521)
	(7,584)	(1,510)	(17,713)	(26,806)
	(7,263)	(1,045)	(9,516)	(17,824)

26. NET BENEFITS AND CLAIMS

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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)
2013			
Gross benefits and claims paid	(548,792)	(725,436)	(1,274,228)
Claims ceded to retakaful	84,430	42,334	126,764
Gross change in certificate liabilities	48,717	(212,690)	(594,470)
Change in certificate liabilities ceded to retakaful	(63,668)	(2,817)	(66,485)
	(479,313)	(898,609)	(1,808,419)

27. MANAGEMENT EXPENSES

	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	378	3	137	518
- regulatory services	23	-	8	31
- other services	77	-	32	109
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.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2013				
Employee benefits expenses (Note (a))	122,885	667	26,102	149,654
Directors' remuneration (Note 28)	774	4	208	986
Shariah Committee remuneration (Note 29)	221	1	53	275
Auditors' remuneration:				
- statutory audits	360	4	120	484
- regulatory services	13	-	3	16
- other services	17	1	7	25
Depreciation of property, plant and equipment (Note 3)	808	1	-	809
Amortisation of intangible assets (Note 4)	7,049	15	406	7,470
Agency related expenses	6,732	-	-	6,732
Auto assist service	4,941	-	-	4,941
Assured medical fees	1,019	-	5	1,024
Bank and financing charges	7,460	-	4,250	11,710
Electronic data processing expenses	14,082	109	2,113	16,304
Entertainment expenses	686	5	72	763
Fund management fees	10	-	(10)	-
Legal fees	900	5	392	1,297
Office facilities expenses	798	12	113	765
Other management fees	690	4	142	836
Outsourcing services	1	-	-	1
Postage and stamp duties	3,912	3	478	4,393
Printing and stationery	3,180	6	297	3,483
Professional fees	780	7	630	1,417
Promotional and marketing costs	29,991	41	1	30,033
Rental of offices/premises	8,223	50	1,423	9,696
Training expenses	2,685	18	238	2,941
Travelling expenses	2,316	12	261	2,589
Utilities, assessment and maintenance	2,598	26	449	3,073
Other expenses	4,313	73	(5,461)	(1,075)
	227,444	1,064	32,292	260,642

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
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
2013				
Wages, salaries and bonus	93,293	492	19,568	113,353
EPF	13,182	53	2,639	15,874
SOCSO	585	3	109	697
Share based compensation	2,925	28	548	3,501
Other benefits	12,900	91	3,238	16,229
	122,885	667	26,102	149,654

(b) Included in employee benefits expenses is remuneration paid to the Chief Executive Office of the Company amounting to RM929,000 (2013: RM855,000) detailed as follows:

	2014 RM'000	2013 RM'000
Salaries	444	436
Bonus	281	45
EPF	123	113
Other emoluments	81	261
	929	855

28. DIRECTORS REMUNERATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Non executive directors:				
Fees	466	4	189	659
Other emoluments	47	1	25	73
	513	5	214	732
2013				
Executive directors:				
Salary	41	-	11	52
Other remuneration	214	1	58	273
	255	1	69	325
Non executive directors:				
Fees	457	3	123	583
Other emoluments	62	-	16	78
	519	3	139	661
	774	4	208	986

28. DIRECTORS REMUNERATION (CONT'D)

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

Company

	Salary RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
2014				
Non-executive directors:				
Dato' Mohd Salleh Hj Harun	-	113	8	121
Gary Lee Crist	-	75	7	82
Dato' Johan Ariffin	-	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

28. DIRECTORS REMUNERATION (CONT'D)

The details of the remuneration of the directors of the Company are as follows: (cont'd)

Company (cont'd)

2013	**Salary RM'000**	**Fees RM'000**	**Other emoluments RM'000**	**Total RM'000**
Executive director (s):				
Hans J J De Cuyper	52	-	273	325
	52	-	273	325
Non-executive directors:				
Dato' Mohd Salleh Hj Harun	-	90	8	98
Gary Lee Crist	-	60	7	67
Dato' Johan Arrifin	-	60	7	67
Zainal Abidin Jamal	-	60	7	67
Loh Lee Soon	-	60	10	70
Frank J.G Van Kempen	-	60	7	67
Dr. Ismail Mohd @ Abu Hassan	-	47	11	58
Koh Heng Kong	-	16	3	19
Mohamed Nor Abdul Hamid	-	22	3	25
Datuk Dr Syed Othman Syed Hussin Alhabshi	-	108	15	123
	-	583	78	661
	52	583	351	986

ETIQA TAKAFUL BERHAD
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29. SHARIAH COMMITTEE REMUNERATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Fees	139	1	63	203
Other emoluments	31	1	16	48
	170	2	79	251
2013				
Fees	184	1	43	228
Other emoluments	37	-	10	47
	221	1	53	275

29. SHARIAH COMMITTEE REMUNERATION (CONT'D)

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

2014	**Fees RM'000**	**Other emoluments RM'000**	**Total RM'000**
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
Sarip Bin Adul	33	9	42
Prof. Datuk Dr. Syed Othman Bin Syed Hussin Alhabshi (Retired on 31 May 2014)	35	4	39
	203	48	251
2013			
Shariah committee:			
Tan Sri Dato' Seri (Dr) Hj Harussani Bin Hj Zakaria	30	7	37
Dr. Ismail Bin Mohd @ Abu Hassan	30	8	38
Dr. Mohammad Deen Bin Mohd Napiah	30	8	38
Dr. Ahcene Lahsasna	31	8	39
Sarip Bin Adul	31	8	39
Prof. Datuk Dr. Syed Othman Bin Syed Hussin Alhabshi	76	8	84
	228	47	275

30. CHANGE IN EXPENSE LIABILITIES

	2014 RM'000	2013 RM'000
Shareholder's fund/Company		
Increase in UWF of general takaful fund (Note 15)	10,273	4,443
Increase in UER of family takaful fund (Note 15)	33,727	43,171
	44,000	47,614

31. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Commission expenses	211,025	-	-	211,025
Wakalah fee expense	-	243,466	246,697	-
Processing fee expenses	-	-	43	43
Others	-	-	1,393	1,393
	211,025	243,466	248,133	212,461
2013				
Commission expenses	232,460	-	36,685	269,145
Wakalah fee expense	-	221,314	311,816	-
Processing fee expenses	-	-	2,654	2,654
Others	-	-	927	927
	232,460	221,314	352,082	272,726

32. TAXATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2014				
Malaysian income tax:				
Tax expense for the year	88,860	7,012	20,532	88,860
Under/(over)provision of tax in 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
2013				
Malaysian income tax:				
Tax expense for the year	77,316	-	24,617	77,316
Overprovision of tax in prior years	(8,535)	(7,520)	(7,213)	(8,535)
Deferred taxation:				
Relating to origination and reversal of temporary differences(Note 16)	924	3,736	(6,182)	924
	69,705	(3,784)	11,222	69,705

Domestic income tax for the shareholder's and general takaful funds is calculated at the Malaysian statutory tax rate of 25% (2013: 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% (2013: 8%) of taxable investment income for the financial year.

32. TAXATION (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:

	2014 RM'000	2013 RM'000
Company		
Profit/surplus before taxation	281,424	266,718
Taxation at Malaysian statutory tax rate of 25%	70,356	66,680
Income not subject to tax	(9,993)	(11,094)
Expenses not deductible for tax purposes	25,832	23,856
Effect on zakat deduction	(699)	(1,202)
Under/(over) provision of tax in prior years	3,988	(8,535)
Tax expense for the year	89,484	69,705

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 (2013: weighted average number of ordinary shares) in issue during the financial year.

	2014	2013
Profit attributable to ordinary shareholder (RM'000)	186,260	188,524
Number/weighted average number of ordinary shares in issue ('000)	400,000	151,781
Basic earnings per share (sen)	46.57	124.21

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the reporting date.

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

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:

	2014 RM'000	2013 RM'000
Within 1 year	10,955	9,540
After 1 year but not more than 5 years	40,964	35,928
	51,919	45,468

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

35. CAPITAL COMMITMENTS

	2014 RM'000	2013 RM'000
Shareholder's fund		
Approved and contracted for:		
Intangible assets	280	3,384

36. SEGMENT INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
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 cash and cash equivalents:				
At 1 January	45,166	52,673	89,822	187,661
At 31 December	21,205	49,573	49,798	120,576
	(23,961)	(3,100)	(40,024)	(67,085)
2013				
Net cash flow (used in)/ generated from:				
Operating activities	(261,344)	32,433	49,781	(179,130)
Investing activities	(9,976)	-	-	(9,976)
Financing activities	300,000	-	-	300,000
	28,680	32,433	49,781	110,894
Net increase in in cash and cash equivalents:				
At 1 January	16,486	20,240	40,041	76,767
At 31 December	45,166	52,673	89,822	187,661
	28,680	32,433	49,781	110,894

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 would 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, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2012, MBB granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the 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.

37. SHARE BASED COMPENSATION (CONT'D.)

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

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, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- 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, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2014, MBB granted five (5) tranches of ESOS amounting to 53,983,100 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, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment 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 then 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 Article of Association of MBB relating to transfer, transmission and otherwise.

- The subscription price of the ESOS shall be at 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 fulfillment 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 grant 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 2-year cliff vesting schedule.

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):				
2014				
Ultimate holding company:				
Profit income	126	35	659	819
Gross takaful contribution	-	45	5,672	5,717
Commission and fee expenses	(55,891)	(300)	(2,068)	(58,259)
Holding company:				
Gross takaful contribution	-	-	2	2
Shared service costs	(4,520)	-	-	(4,520)

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				
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution	-	-	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	-	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	-	2,563	958	3,521
Claims paid	-	-	(355)	(355)
Profit on subordinated obligation	(2,140)	-	-	(2,140)
Connected parties:				
Gross takaful contribution	-	1,091	-	1,091

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):				
2013				
Ultimate holding company:				
Profit income	924	211	3,563	4,698
Gross takaful contribution	-	121	6,370	6,491
Commission and fee expenses	(59,864)	(291)	(1,882)	(62,037)
Holding company:				
Gross takaful contribution	-	244	146	390
Shared service costs	(3,471)	-	-	(3,471)
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution	-	643	719	1,362
Rental expense	(7,216)	(43)	(1,271)	(8,529)
Processing fee	24	-	-	24
Shared service costs	(41,047)	-	-	(41,047)
Other related companies within the MBB Group:				
Profit income	-	661	1,636	2,297
Gross takaful contribution	-	1,511	184	1,696
Companies with significant influence over the MBB Group:				
Gross takaful contribution	-	3,821	1,681	5,502

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:

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 receivables	-	-	-	-
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	(3,107)	-	-	(3,107)
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)
Connected parties:				
Takaful receivables	-	145	-	145

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):

2013	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Ultimate holding company:				
Bank balances	40,545	52,297	79,266	172,107
Income and profit due and accrued	134	25	555	715
Islamic investment accounts	33,056	29,287	95,790	158,133
Takaful receivables	-	3,288	-	3,288
Other payables	(12,306)	(69)	(411)	(12,786)
Holding company:				
Other payables	(1,087)	-	-	(1,087)
Fellow subsidiaries within the MAHB Group:				
Other payables	(9,315)	-	-	(9,315)
Other related companies within the MBB Group:				
Income and profit due and accrued	-	53	876	929
Structured products	-	18,342	46,477	64,819
Other payables	(5,513)	-	-	(5,513)
Companies with significant influence over the MBB Group:				
Takaful receivables	-	1,081	102	1,182

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 compensation during the year was as follows:

	2014 RM'000	2013 RM'000
Short-term employee benefits		
Fees	659	583
Salaries and bonuses	725	533
EPF	123	113
Other emoluments	154	612
	1,661	1,841

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

	2014 RM'000	2013 RM'000
At 1 January	84	94
Granted	15	84
Resignation of key management personnel	-	(94)
At 31 December	99	84

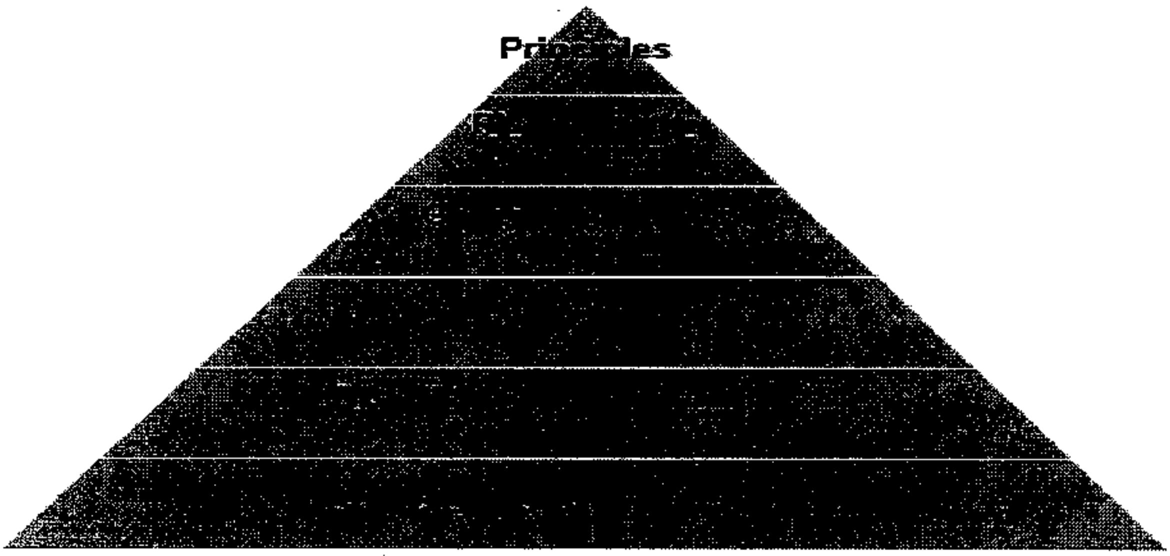
39. RISK MANAGEMENT FRAMEWORK

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".

Risk is a component inherent in all aspects of the Group's business, which by nature involves risk taking. In its simplest term, risk is the possibility of incurring losses arising from uncertainty which would then impact the Group's objectives. Accordingly, the management of risk has evolved into an important business driver for strategic decisions in support of the Group's business strategies, balancing the appropriate level of risk taken proportionate to the desired level of reward while maintaining the sound financial position and capital of the Group. Essentially the management of risk involves the establishment of risk principles and strategies as the core foundation in driving risk management practices and processes to be embedded in all processes and activities of the Group.

The Group's Risk Management Framework sets out the key building blocks which served as the foundation for the management of risk.

Diagram 1



The above components are benchmarked against leading industry practices as well as regulatory guidelines and are closely aligned to the Group's business strategy. These components are executed in accordance with the risk management standards and risk appetite set out by the Board of Directors ("Board") of MAHB.

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Principles

As risk management is a core discipline of the Group, the key guiding principles established serve as the foundation for the Group's risk management practices and processes.

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.

Governance and Oversight

The Group's structure and regionalisation aspirations, the Group continuously enhances its integrated risk management approach towards the effective management of enterprise-wide risks. The Group views the overall risk management process with a structured and disciplined approach to align strategies, policies, process, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

The management of risk broadly takes place at different hierarchical levels. The risk governance structure for the Group 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.

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.

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

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

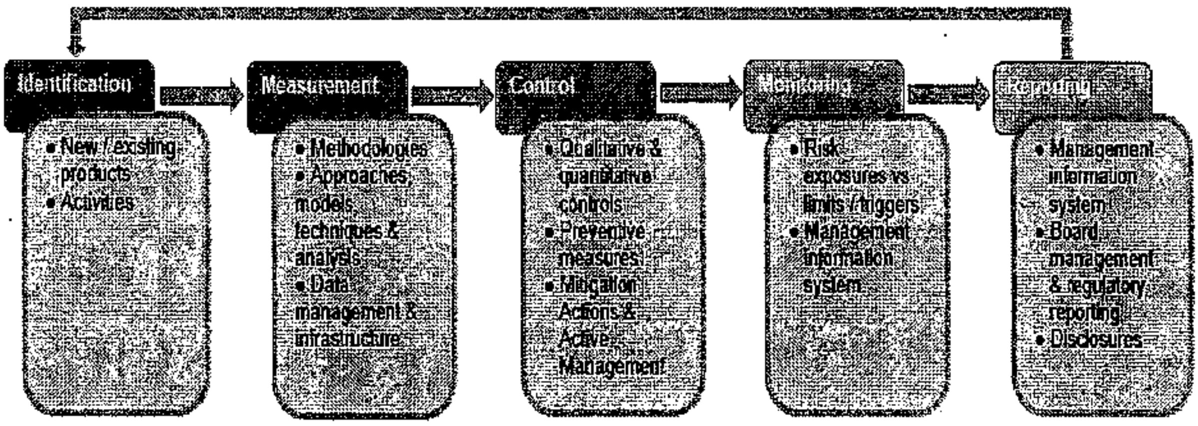
Risk Culture (Cont'd)

A positive risk culture is driven by a strong tone at the top with a clear vision for an effective approach to risk and ingrained in all levels of management and sectors, which is built into the behavior of each individual within the Group. In line with the evolving market environment and the dynamics within the Group and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk Management Practices and Process

The risk management practices and process are a fundamental component of the risk principles prescribed by the Group. To ensure a comprehensive approach to risk management whilst supporting the Group's risk principles, the risk management practices and process are essential in enabling the Group to systematically identify, measure, control, monitor and report risk exposures throughout the Group.

To enable an effective execution of the 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.



Resource and System Insfrastructure

Appropriate system infrastructure and resources are the foundation and an enabler to an effective risk management practices and process. Hence, the Group has equiped itself with the necessary resources, infrastructure and support to perform its roles efficiently.

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Organisation

The Group's risk organisation structure relates to both internal and external regulation and shapes the risk environment in which the Group operates. The three lines of defence risk management model helps to mitigate these risks. The Group's risk management is organised and is embedded in the business units.

Following the same spirit, the Group's risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units and Internal Audit. The three lines of defence model is distinguished among functions that own and manage risks, functions that oversee risks and functions that provide independent assurance.

1. **Risk Taking Units**

   Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities. They are the first placed and operationally responsible to ensure that the Group does not suffer from unpleasant surprises. The business is responsible for managing the full risk taxonomy that relates its execution of the business strategy and ranges from the CEO, Line Management, and Business Managers to employees in the business lines. The first line of defence excels with robust risk culture and risk awareness all the way down into the deepest levels of their organization.

2. **Risk control Units**

   Risk Control Units, through Risk Management Department, Compliance Department and Shariah Division, are responsible for setting the risk management framework, adherence to it, developing tools and methodologies for the identification, measurement, monitoring and control. In addition, the Risk Management Department has the responsibility to communicate and embed risk strategy, risk awareness and risk management within the entire organisation. The Compliance function has an overall assurance role in which it makes sure that policies abide to any relevant external guidelines and requirements.

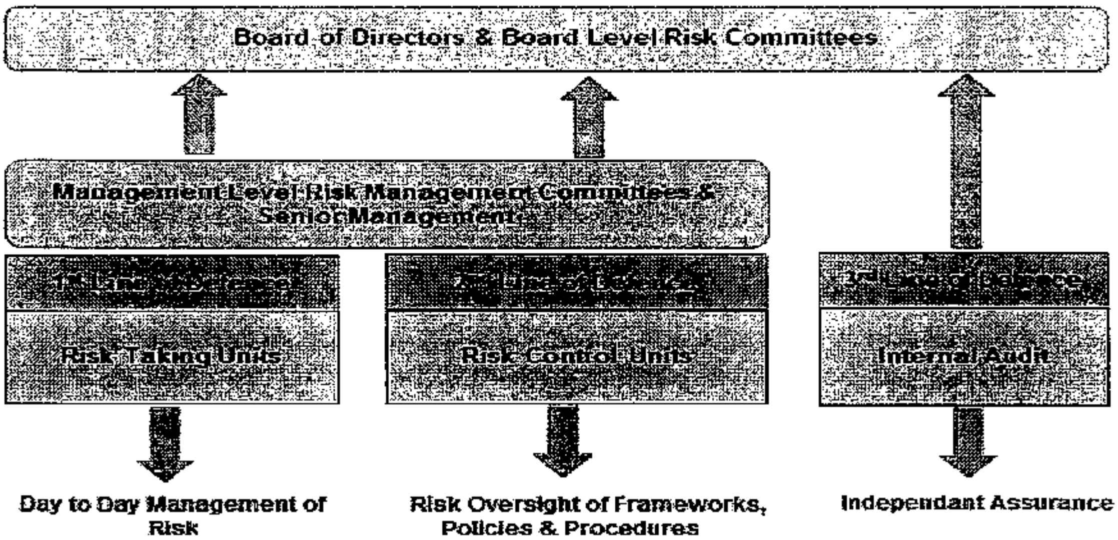
3. **Internal Audit**

   Internal Audit checks and provides independent assurance of the effectiveness of the risk management approach, proper design and implementation of the risk management framework and observance of guidelines, policies and processes.

   The internal auditors of the MBB Group provide independent assurance of the effectiveness of the risk management approach and are the third line of defence.

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

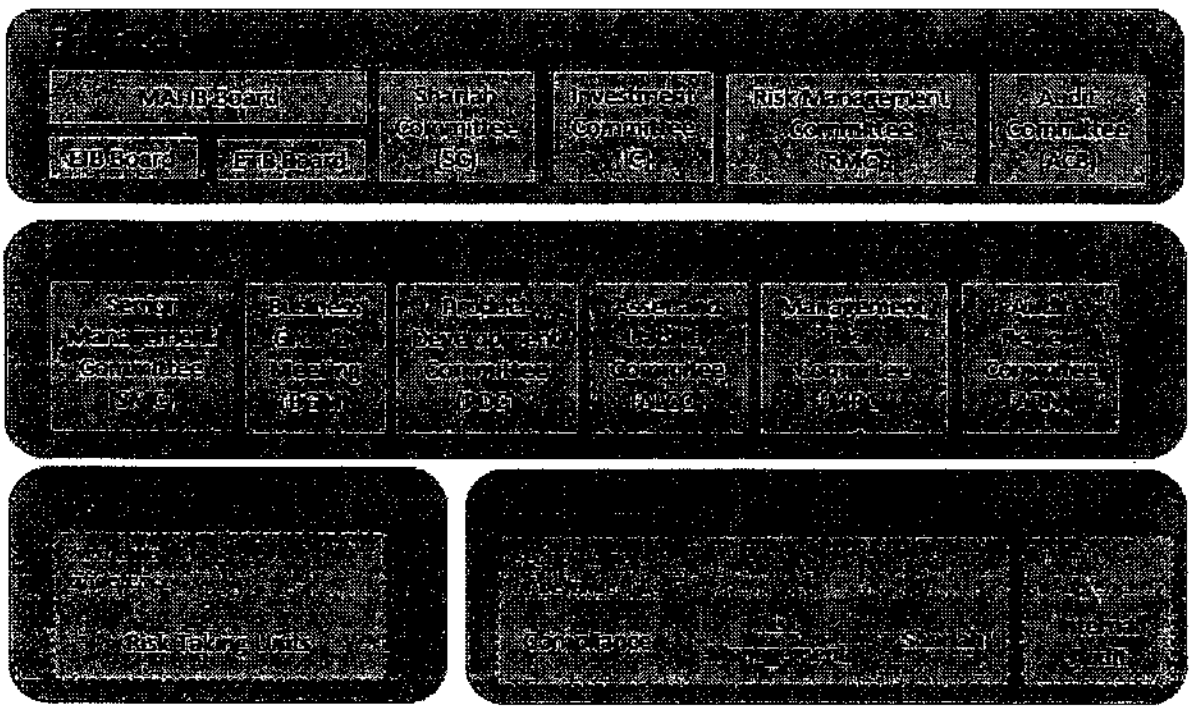
3. Internal Audit (Cont'd)



Risk Governance Structure

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, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").



39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Governance Structure and Risk Organisation (Contd)

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 Committee, such as risk matters to the Risk Management Committee, Audit matters to the Audit Committee and investment matters to the Investment Committee.

SC

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

RMC

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

IC

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

AC

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

SMC

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

RMM

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

39. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Governance Structure and Risk Organisation (Contd)

ALCO
The ALCO is responsible for the investment strategies and operations. It will carry out its responsibilities within the limits set by the RMM which include the Risk Appetite and Asset Liability Management ("ALM") constraints.

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

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

PDC
PDC prime objective is to coordinate and manage the process of product development and product management for a specific product line as derived from overall marketing plan of the Group.

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 honor 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:

	2014			2013		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,553,097	-	1,553,097	1,365,667	-	1,365,667
Mortgage	3,098,856	(6,787)	3,092,069	3,004,950	(15,277)	2,989,673
Term assurance	21,506	(2,980)	18,526	10,139	-	10,139
Annuity	786,876	-	786,876	781,644	-	781,644
Others	328,488	-	328,488	290,178	-	290,178
	5,788,823	(9,767)	5,779,056	5,452,578	(15,277)	5,437,301

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 and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

<u>Discount rate</u>
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.

<u>Mortality and morbidity rates</u>
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 experiences. For those contracts that are exposed to longevity risk, allowance is made for expected future mortality improvements.

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

<u>Expenses</u>
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.

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)

40. TAKAFUL RISK (CONT'D.)

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

(ii) Sensitivity analyses (cont'd)

2013	**% 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	235,285	234,625	(62,444)	(62,444)
Mortality and morbidity rates	+ 10%	239,143	237,640	(64,083)	(64,083)
Lapse and surrender rates	-10%	14,521	14,805	(3,995)	(3,995)
Expenses	+10%	14,151	13,651	(3,895)	(3,895)

* excludes impact on profit rate assets
** the impact on net liabilities results in a correponding, but opposite sign 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.

	2014			2013		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	776,689	(7,688)	769,001	692,669	(13,384)	679,285
Fire	104,345	(48,512)	55,833	83,039	(29,548)	53,491
Marine, Aviation, Cargo and Transit	17,199	(14,927)	2,272	19,336	(16,970)	2,366
Miscellaneous	115,514	(39,493)	76,021	90,604	(22,904)	67,700
	1,013,747	(110,620)	903,127	885,648	(82,806)	802,842

(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.

As per normal practice for financial statements, 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
2014					
Incurred Claims Ratio	+ 5%	48,645	43,116	(43,116)	(14,552)
	- 5%	(48,645)	(43,116)	43,116	14,552
2013					
Incurred Claims Ratio	+ 5%	44,414	40,053	(40,053)	(13,518)
	- 5%	(44,414)	(40,053)	40,053	13,518

(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.

40. TAKAFUL RISK (CONT'D.)

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

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

Gross 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		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 gross 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 claim liabilities (A) - (B) + (C)									811,854

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 net cumulative claims to date (A)		138,454	179,060	225,395	338,513	441,755	477,414	532,858	

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 gross 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 claim liabilities (A) - (B) + (C)									585,907

40. TAKAFUL RISK (CONT'D.)

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

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

Gross analysis of claims development for 2013:

	Before	As at 31 December							
	2007	2007	2008	2009	2010	2011	2012	2013	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		121,433	166,000	237,471	394,600	437,396	479,285	565,662	
1 year later		108,984	175,889	196,615	258,963	436,220	466,666		
2 years later		103,481	123,154	239,280	260,490	422,091			
3 years later		112,376	163,998	232,675	259,613				
4 years later		92,602	162,720	227,305					
5 years later		88,665	159,255						
6 years later		86,723							
Estimate of cumulative claims to date (A)		86,723	159,255	227,305	259,613	422,091	466,666	565,662	

40. TAKAFUL RISK (CONT'D.)

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

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

Gross analysis of claims development for 2013: (cont'd.)

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
		As at 31 December							
At the end of accident year		29,999	67,164	74,439	94,507	131,482	187,973	238,771	
1 year later		59,428	113,408	146,844	191,698	269,769	366,008		
2 years later		69,548	130,773	173,478	226,315	376,785			
3 years later		77,943	142,458	183,492	242,215				
4 years later		80,888	145,212	186,640					
5 years later		82,636	149,910						
6 years later		83,174							
Cumulative claims paid to date (B)		**83,174**	**149,910**	**186,640**	**242,215**	**376,785**	**366,008**	**238,771**	
Gross best estimate gross claim liabilities (A) - (B)	6,129	3,549	9,345	40,665	17,398	45,306	100,658	326,891	549,941
PRAD (C)									149,859
Gross claim liabilities (A) - (B) + (C)									699,800

40. TAKAFUL RISK (CONT'D.)

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

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

Net analysis of claims development for 2013:

	Before	As at 31 December							
	2007	2007	2008	2009	2010	2011	2012	2013	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		105,625	152,245	182,266	342,237	325,123	456,465	506,657	
1 year later		92,318	156,169	157,960	227,980	336,639	447,504		
2 years later		89,532	108,833	192,838	227,866	332,456			
3 years later		98,911	145,198	188,992	225,160				
4 years later		81,269	141,239	182,915					
5 years later		77,902	139,932						
6 years later		76,397							
Estimate of cumulative claims to date (A)		**76,397**	**139,932**	**182,915**	**225,160**	**332,456**	**447,504**	**506,657**	

40. TAKAFUL RISK (CONT'D.)

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

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

Net analysis of claims development for 2013: (cont'd.)

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
		As at 31 December							
At the end of accident year		26,626	64,563	72,745	91,793	130,642	186,608	235,297	
1 year later		51,812	106,228	135,607	171,337	266,182	356,576		
2 years later		60,824	119,667	161,900	204,893	307,058			
3 years later		68,873	129,419	171,527	216,241				
4 years later		71,676	131,894	174,547					
5 years later		73,246	134,548						
6 years later		73,767							
Cumulative claims paid to date (B)		**73,767**	**134,548**	**174,547**	**216,241**	**307,058**	**356,576**	**235,297**	
Gross best estimate claim liabilities (A) - (B)	3,696	2,630	5,384	8,368	8,919	25,398	90,928	271,360	416,683
PRAD(C)									109,278
Net claim liabilities (A) - (B) + (C)									525,961

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 contributor to credit risk arises from transactions related to the Company's position in debt securities, (mainly corporate bonds). The Company faces default risk 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) Risk Management together with the Investment Department, actively aims to prevent undue concentration by ensuring it holds a diversified and marketable credit portfolio;

(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 is aligned to 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 statement of financial position. 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.

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	-	21,862	-	21,862
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	-	(3,227)	71,452	68,225
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	-	77,460	107,148	184,608
Other receivables	266,254	14,585	186,935	229,774
Cash and bank balances	21,205	49,573	49,798	120,576
	1,898,501	1,828,424	6,951,524	10,440,449

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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
2013				
AFS financial investments:				
Malaysian government papers	2,003	321,910	245,021	568,934
Unquoted debt securities in Malaysia	985,257	655,980	1,339,095	2,980,332
Structured products	25,883	22,063	-	47,946
NICD	-	9,176	16,913	26,089
Financial investments at FVTPL:				
- Designated upon initial recognition				
Malaysian government papers	-	-	956,067	956,067
Unquoted debt securities in Malaysia	-	-	3,447,729	3,447,729
Structured products	(2,108)	(3,721)	118,887	113,058
NICD	-	-	102,183	102,183
LAR:				
Deposits and placements with financial institutions	114,868	318,653	491,482	925,003
Financing receivables	20,970	-	7,309	28,279
Retakaful assets	-	205,298	15,817	221,115
Takaful receivables	-	66,097	140,019	206,116
Other receivables	283,038	19,094	78,808	125,553
Cash and bank balances	45,166	52,673	89,822	187,661
	1,475,077	1,667,223	7,049,152	9,936,065

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. This analysis excludes assets of the investment-linked funds as the credit risk of these funds are borne by the participants.

Shareholder's fund

	Neither past-due nor impaired					
	*Investment grade: 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
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	266,254	-	-	-	-	266,254
Cash and bank balances	21,205	-	-	-	-	21,205
	1,520,979	375,501	21,219	2,021	199,801	2,119,521

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 Impaired	Not subject to credit risk	Total
	*Investment grade: A to AAA RM'000	Not Rated RM'000	RM'000	RM'000	RM'000
2013					
AFS financial investments:					
Malaysian government papers	-	2,003	-	-	2,003
Unquoted debt securities in Malaysia	729,149	256,108	-	-	985,257
Quoted equity securities in Malaysia	-	-	-	150,227	150,227
Quoted unit and property trust funds in Malaysia	-	-	-	2,352	2,352
Structured products	23,775	-	-	-	23,775
LAR:					
Deposits and placements with financial institutions	114,868	-	-	-	114,868
Financing receivables	-	18,910	2,060	-	20,970
Other receivables	-	283,038	-	-	283,038
Cash and bank balances	45,093	73	-	-	45,166
	912,885	560,132	2,060	152,579	1,627,656

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

General takaful fund	<-----------Neither past-due nor impaired-------->					
	*Investment grade: A to AAA RM'000	*Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total 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 ^^	-	-	52,613	24,847	-	77,460
Other receivables	-	-	-	-	14,585	14,585
Cash and bank balances	48,537	-	1,036	-	-	49,573
	1,159,609	3,023	626,360	24,847	37,383	1,851,222

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
	*Investment grade: A to AAA RM'000	*Non-investment grade: B to BBB RM'000	Not Rated RM'000	RM'000	RM'000	RM'000
2013						
AFS financial investments:						
Malaysian government papers	-	-	321,910	-	-	321,910
Unquoted debt securities in Malaysia	599,518	-	56,462	-	-	655,980
Quoted equity securities in Malaysia	-	-	-	-	24,725	24,725
Structured products	18,342	-	-	-	-	18,342
NICD	9,176	-	-	-	-	9,176
LAR:						
Deposits and placements with financial institutions	318,653	-	-	-	-	318,653
Retakaful assets	108,951	6,763	58,125	-	31,459	205,298
Takaful receivables ^^	-	-	49,085	17,012	-	66,097
Other receivables	-	-	19,094	-	-	19,094
Cash and bank balances	52,532	-	141	-	-	52,673
	1,107,172	6,763	504,817	17,012	56,184	1,691,948

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund

	<---Neither past-due nor impaired--->						
	*Investment grade: A to AAA RM'000	Non-investment grade: 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							
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
LAR:							
Deposits and placements with financial institutions	370,901	-	-	2,969	-	-	373,870

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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-------->				Past-due or impaired	Not subject to credit risk	Total
	*Investment grade: A to AAA RM'000	*Non-investment grade: B to BBB RM'000	Not Rated RM'000	Unit Linked RM'000	RM'000	RM'000	RM'000
2014 (cont'd.)							
- HFT							
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
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
2013							
AFS financial investments:							
Malaysian government papers	-	-	245,021	-	-	-	245,021
Unquoted debt securities in Malaysia	900,129	-	438,966	-	-	-	1,339,095
Quoted debt securities in Malaysia	-	-	-	-	-	1,025,903	1,025,903
Quoted unit and property trust funds				-			-
in Malaysia	-	-	-	-	-	30,156	30,156
NICD	16,913	-	-	-	-		16,913

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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-------->				Past-due		
	*Investment grade: A to AAA RM'000	*Non-investment grade: B to BBB RM'000	Not Rated RM'000	Not Rated RM'000	or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2013 (cont'd.)							
Financial investments at FVTPL:							
- Designated upon initial recognition							
Malaysian government papers	-	-	956,067	-	-	-	956,067
Unquoted debt securities in Malaysia	2,883,292	-	564,437	-	-	-	3,447,729
Structured product	70,252	48,635	-	-	-	-	118,887
NICD	102,183	-	-	-	-	-	102,183
LAR:							
Deposits and placements with financial institutions	491,264	-	218	-	-	-	491,482
Financing receivables	-	-	-	-	7,309	-	7,309
Retakaful assets	15,817	-	-	-	-	-	15,817
Takaful receivables ^^	-	-	31,488	-	108,531	-	140,019
Other receivables	-	-	78,808		-	-	78,808
Cash and bank balances	89,790	-	32	-	-	-	89,822
	4,569,640	48,635	2,315,037	-	115,840	1,056,059	8,105,211

* Based on ratings assigned by external rating agencies including Rating Agency Malaysia Berhad ("RAM") and Malaysian Rating Corporation Berhad ("MARC").

^^ Takaful receivables from agents/insurers/reinsurers licensed under the IFSA 2013 are classified under the "not rated" category.

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

Shareholder's fund

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

31.12.2013

	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	-	-	2,060	2,060	1,063	(1,063)	-	2,060
Other receivables	-	-	-	-	1,350	(1,350)	-	-
	-	-	2,060	2,060	2,413	(2,413)	-	2,060

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

General takaful fund

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

31.12.2013

	<--------- 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)	-	-
Takaful receivables	8,827	3,018	5,167	17,012	20,707	(20,707)	-	17,012
	8,827	3,018	5,167	17,012	24,038	(24,038)	-	17,012

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

Family takaful fund

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

31.12.2013	<--------- 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	-	-	7,309	7,309	17,165	(17,165)	-	7,309
Takaful receivables	18,619	37,301	52,611	108,531	51,336	(51,336)	-	108,531
Other receivables	-	-	-	-	539	(539)	-	-
	18,619	37,301	59,920	115,840	69,040	(69,040)	-	115,840

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
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	-	-	-
2013			
Individual allowance			
At 1 January	622	1,430	2,052
Allowance for/(reversal of) impairment losses during the year	441	(80)	361
At 31 December	1,063	1,350	2,413
Collective allowance			
At 1 January/31 December	-	-	-

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
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
2013					
Individual allowance					
At 1 January	3,381	-	2,324	-	5,705
Reversal of impairment losses during the year	(50)	-	(432)	-	(482)
At 31 December	3,331	-	1,892	-	5,223
Collective allowance					
At 1 January	-	-	18,797	-	18,797
Allowance for impairment losses during the year	-	-	394	-	394
Written off during the year	-	-	(376)	-	(376)
At 31 December	-	-	18,815	-	18,815

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
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
2013				
Individual allowance				
At 1 January	25,196	30,958	550	56,704
(Reversal of)/allowance for impairment losses during the year	(8,031)	14,101	(11)	6,059
At 31 December	17,165	45,059	539	62,763
Collective allowance				
At 1 January	-	10,259	-	10,259
Reversal of impairment losses during the year	-	(3,982)	-	(3,982)
At 31 December	-	6,277	-	6,277

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 2014 (2013: 87%). The financing receivables include staff loans and non-staff loans which amounted to RM20.2 million as at 31 December 2014 (2013: RM21.0 million). These loans are collateralised in the form of charges over residential properties which are worth RM27.1 million (2013: RM23.9 million).

Family takaful fund

The financial effect of collateral held for financing receivables of the fund is 82% as at 31 December 2014 (2013: 100%). The financing receivables include corporate loans which amounted to RM7.3 million as at 31 December 2014 (2013: RM7.3 million). These loans are collateralised in the form of land guarantees worth RM6.0 million in aggregate (2013: RM26.2 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 price.

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 set takes care of reasonable liquidity requirements at all times.

Maturity Profiles

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

Contribution liabilities and the retakaful operators' share of contribution liabilities and expense liabilities relating to the general takaful fund 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
2014						
Financial investments:						
AFS	1,689,408	70,361	516,136	1,680,259	221,020	2,487,776
LAR	122,487	122,487	-	-	-	122,487
Financing receivables	20,167	200	1,699	16,248	2,020	20,167
Other receivables	266,254	266,254	-	-	-	266,254
Qard receivable	36,684	36,684	-	-	-	36,684
Cash and bank balances	21,205	21,205	-	-	-	21,205
Total assets	2,156,205	517,191	517,835	1,696,507	223,040	2,954,573
Subordinated obligation*	301,263	13,560	54,240	367,800	-	435,600
Takaful payables	7,552	7,552	-	-	-	7,552
Other payables	76,075	76,075	-	-	-	76,075
Total liabilities	384,890	97,187	54,240	367,800	-	519,227

* includes profit payable on subordinated obligation.

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
2013						
Financial investments:						
AFS	1,163,614	80,254	231,817	1,329,410	152,579	1,794,060
LAR	114,868	114,868	-	-	-	114,868
Financing receivables	20,970	2,155	8,367	8,391	2,057	20,970
Other receivables	283,038	283,038	-	-	-	283,038
Qard receivable	36,684	36,684	-	-	-	36,684
Cash and bank balances	45,166	45,166	-	-	-	45,166
Total assets	1,664,340	562,165	240,184	1,337,801	154,636	2,294,786
Takaful payables	9,360	9,360	-	-	-	9,360
Other payables	103,893	103,893	-	-	-	103,893
Total liabilities	113,253	113,253	-	-	-	113,253

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	22,798	1,853,949
LAR	118,275	118,275	-	-	-	118,275
Retakaful assets	221,072	91,697	97,156	37,094	-	225,947
Takaful receivables	77,460	77,460	-	-	-	77,460
Other receivables	14,585	14,585	-	-	-	14,585
Cash and bank balances	49,573	49,573	-	-	-	49,573
Total assets	1,819,728	429,159	790,311	1,097,521	22,798	2,339,789
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	63,282	63,282	-	-	-	63,282
Other payables	207,465	207,465	-	-	-	207,465
Total liabilities	1,285,407	829,391	308,849	147,167	-	1,285,407

* Excluding contribution liabilities and expense liabilities relating to the general takaful fund.
* *Excluding AFS reserves relating to the general takaful fund.

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**
2013						
Financial investments:						
AFS	1,030,133	92,579	420,712	934,064	24,725	1,472,080
LAR	318,653	318,653	-	-	-	318,653
Retakaful assets	173,839	94,462	71,550	7,827	-	173,839
Takaful receivables	66,097	66,097	-	-	-	66,097
Other receivables	19,094	19,094	-	-	-	19,094
Cash and bank balances	52,673	52,673	-	-	-	52,673
Total assets	1,660,489	643,558	492,262	941,891	24,725	2,102,436
Participants' fund**	185,712	108,428	-	77,284	-	185,712
Takaful certificate liabilities*	699,800	380,262	288,029	31,509	-	699,800
Takaful payables	68,628	68,628	-	-	-	68,628
Other payables	225,737	225,737	-	-	-	225,737
Total liabilities	1,179,877	783,055	288,029	108,793	-	1,179,877

* Excluding contribution liabilities and expense liabilities relating to the general takaful fund.

* *Excluding AFS reserves relating to the general takaful fund.

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	1,560,609	4,360,362
FVTPL	4,458,747	246,879	1,586,834	4,988,574	6,242	6,828,529
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	1,566,851	11,933,589
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
Expense liabilities	299,922	34,900	86,279	479,460	-	600,639
Takaful payables	54,302	54,302	-	-	-	54,302
Other payables	274,156	274,156	-	-	-	274,156
Total liabilities	8,826,935	3,371,659	1,330,636	6,085,849	22,296	10,810,440

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
2013						
Financial investments:						
AFS	2,657,088	85,432	608,997	1,581,023	1,056,059	3,331,511
FVTPL	4,624,866	362,565	1,574,463	4,569,143	-	6,506,171
LAR	491,482	491,482	-	-	-	491,482
Financing receivables	7,309	7,309	-	-	-	7,309
Retakaful assets	15,817	4,708	9,435	3,421	-	17,564
Takaful receivables	140,019	140,019	-	-	-	140,019
Other receivables	78,808	78,808	-	-	-	78,808
Cash and bank balances	89,822	89,822	-	-	-	89,822
Total assets	8,105,211	1,260,145	2,192,895	6,153,587	1,056,059	10,662,686
Participants' fund	2,146,638	10,852	-	2,135,786	-	2,146,638
Takaful certificate liabilities	5,519,963	2,755,622	1,190,641	3,172,917	-	7,119,180
Qard payable	36,684	-	36,684	-	-	36,684
Expense liabilities	266,195	47,346	70,366	419,959	-	537,671
Takaful payables	67,786	67,786	-	-	-	67,786
Other payables	334,068	334,068	-	-	-	334,068
Total liabilities	8,371,334	3,215,674	1,297,691	5,728,662	-	10,242,027

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in 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'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 value or future cash flows of a financial instrument will fluctuate because of changes in market profit rate/profit yield.

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 proxied 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.

		2014			2013		
Funds	Changes in variables	Impact on participants' funds RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on participants' funds RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Share-holders	+100 basis points	-	-	(87,819)	-	-	(66,825)
	-100 basis points	-	-	87,819	-	-	66,825
General takaful	+100 basis points	(44,731)	-	(27,449)	(37,680)	-	(23,122)
	-100 basis points	44,731	-	27,449	37,680	-	23,122
Family takaful	+100 basis points	(345,906)	(66,043)	(63,234)	(305,978)	(89,835)	(78,426)
	-100 basis points	345,906	66,043	63,234	305,978	89,835	78,426

* Impact on equity is after tax of 25%

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.

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

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

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

Market Indices - Bursa Malaysia

Funds	Changes in variables	2014 Impact on equity* RM'000	2013 Impact on equity* RM'000
Shareholders	+10%	16,577	11,441
	-10%	(16,577)	(11,441)
General takaful	+10%	1,710	1,854
	-10%	(1,710)	(1,854)
Family takaful	+10%	117,046	79,214
	-10%	(117,046)	(79,214)

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

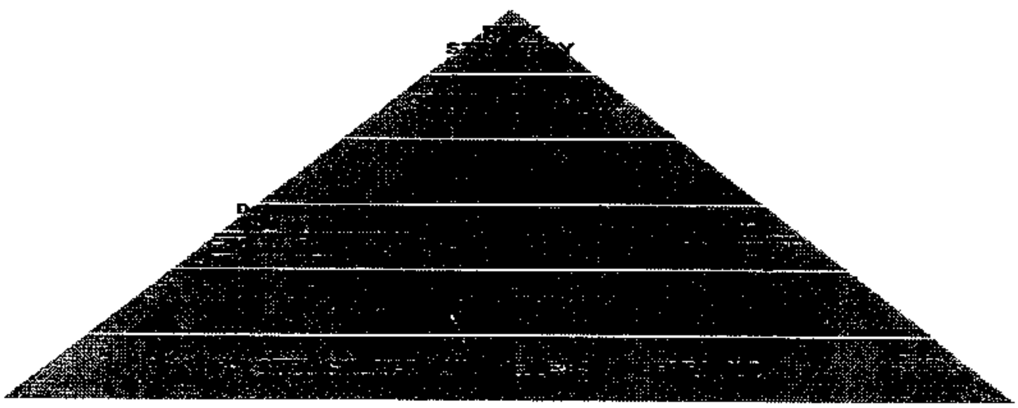
42. OPERATIONAL RISK

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.

ORM methodology is comprised of the components summarised in Diagram 2.

Diagram 2



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(n) and Note 2.2(r). 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 adjustment is an integral part of 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.

Description of Overall Definition of the Fair Value Hierarchy

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

- Level 1 : Active Market – quoted price

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

- 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 Malaysian government papers, unquoted debt securities and negotioble Islamic certificates of deposits.

- 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.

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
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
2013				
Assets				
AFS financial investments				
Malaysian government papers	-	2,003	-	2,003
Unquoted debt securities in Malaysia	-	985,257	-	985,257
Quoted equity securities in Malaysia	150,195	-	-	150,195
Quoted unit and property trust funds in Malaysia	2,352	-	-	2,352
Structured products	-	23,775	-	23,775
Total assets	152,547	1,011,035	-	1,163,582

Unquoted equity securities of RM30,511 in prior financial year as disclosed in Note 5 are not included in the above analysis as they are carried at cost.

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	Total RM'000
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
2013			
Assets			
AFS financial investments			
Malaysian government papers	-	321,910	321,910
Unquoted debt securities in Malaysia	-	655,980	655,980
Quoted equity securities in Malaysia	24,725	-	24,725
Structured products	-	18,342	18,342
NICD	-	9,176	9,176
Total assets	24,725	1,005,408	1,030,133

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**	**Total RM'000**
2014			
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
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
Quoted equity securities in Malaysia	6,235	-	6,235
Quoted unit and property trust funds outside Malaysia	7	-	7
	1,566,851	6,211,675	7,778,526

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(Incorporated in Malaysia)

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	Total RM'000
2013			
Assets			
AFS financial investments			
Malaysian government papers	-	245,021	245,021
Unquoted debt securities in Malaysia	-	1,339,095	1,339,095
Quoted equity securities in Malaysia	1,025,903	-	1,025,903
Quoted unit and property trust funds in Malaysia	30,156	-	30,156
NICD	-	16,913	16,913
Designated upon intial recognition as Fair Value Through Profit or Loss ("FVTPL"):			
Malaysian government papers	-	956,067	956,067
Unquoted debt securities in Malaysia	-	3,447,729	3,447,729
Structured products	-	118,887	118,887
NICD	-	102,183	102,183
Total assets	1,056,059	6,225,895	7,281,954

44. SIGNIFICANT EVENT

Issuance of Tier 2 Capital Subordinated Sukuk

On 30 May 2014, the Company issued RM300,000,000 nominal value of Tier 2 Capital Subordinated Sukuk Musharakah. The Sukuk carries a tenure of ten (10) years from issue date on 10 non-callable 5 basis, with profit rate of 4.52% per annum payable semi-annually in arrears in May and November each year, and is due on 2024. The Company may subject to the prior consent of Bank Negara Malaysia ("BNM"), to redeem the Sukuk, in whole but not in part, on first call date and each semi-annual profit payment date thereafter at their principal amount together with the expected return less total periodic distribution made.

45. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2014, as prescribed under the RBCT Framework is provided below :

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Eligible Tier 1 Capital				
Paid up share capital	400,000	-	-	400,000
Valuation surplus in takaful funds	-	202,806	2,307,437	2,510,243
Retained earnings	1,019,961	-	-	1,019,961
	1,419,961	202,806	2,307,437	3,930,204
Tier 2 Capital				
Available-for-sale reserves	(30,635)	(21,106)	(32,175)	(83,916)
Subordinated obligation	300,000	-	-	300,000
	269,365	(21,106)	(32,175)	216,084
Amount deducted from capital	(57,617)	(120,141)	(14,474)	(192,232)
Total Capital Available	1,631,709	61,559	2,260,788	3,954,056