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

Directors' Report and Audited Financial Statements
31 December 2016

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CONTENTS

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	RM'000
Net profit for the financial year	230,862

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. It is in force for a maximum period of seven (7) years from the effective date and is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Schemes ("ESOS") and Restricted Share Units ("RSU").

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

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

DIRECTORS

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

Datuk R. Karunakaran (Chairman)	(Appointed on 1 March 2016)
Philippe Pol Arthur Latour (Vice Chairman)	(Appointed on 1 July 2016)
Loh Lee Soon	
Frank J.G. Van Kempen	
Koh Heng Kong	
Zainal Abidin Jamal	
Dato’ Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	(Appointed on 1 June 2016)
Dr Ismail Mohd @ Abu Hassan	
Dato' Mohd Salleh Hj Harun	(Resigned on 1 March 2016)
Gary Lee Crist	(Resigned on 1 July 2016)
Dato' Johan Ariffin	(Resigned on 1 March 2016)

Pursuant to Article 96 of the Company's Articles of Association, Dr Ismail Mohd @ Abu Hassan and Mr. Koh Heng Kong shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

Pursuant to Article 102 of the Company's Articles of Association, Datuk R. Karunakaran, Mr. Philippe Pol Arthur Latour and Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican shall retire at the forth coming Annual General Meeting ("AGM") of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial 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 those arising from the ESOS and the RSU pursuant to the ESS.

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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			
	As at	Issued pursuant to		As at
	1.1.2016	RSU	DRP*	31.12.2016
Direct Interest:				
Dato' Mohd Salleh Hj Harun[(1)]	373,185	-	-	373,185
Dato' Johan Ariffin[(2)]	277,151	-	-	277,151
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican[(3)]	95,246		2,700	97,946

(1) Resigned as Chairman on 1 March 2016
(2) Resigned as Director on 1 March 2016
(3) Appointed as Director on 1 June 2016

*DRP = Dividend Reinvestment Plan

	Numbers of ordinary shares of		
	As at 1.1.2016	Acquired during the year	As at 31.12.2016
Indirect Interest:			
Loh Lee Soon[(1)]	-	1,000	1,000

(1) Held through nominee

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.

		Number of share option from ESOS over ordinary shares of RM1.00 each			
	Original Exercise Price RM	Granted	Vested as at 1.1.2016	Vested as at 3.5.2016	Vested as at 31.12.2016
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican[(1)]	9.61[(2)]	916,000	566,000	200,000	766,000

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS (CONT'D.)

Grant Date	Granted as at 01.01.2016	Adjustment pursuant to DRP	Granted as at 31.12.2016	Vested during the financial year	Not during the financial year	Outstanding as at 31.12.2016
			Number of RSU of ordinary shares of RM1.00			
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican[(1)]						
30.04.2013	75,000	5,661	5,661	(69,411)	(11,250)	(75,000)
30.04.2014	75,000	-	-	-	-	-
30.04.2015	75,000	-	-	-	-	-

(1) Appointed as Director on 1 June 2016.
(2) Revised to RM9.47 on 1 November 2016 based on the revision to ESOS Third Grant's exercise price.

The remaining ESOS and RSU which were granted to the director have not been vested as at 31 December 2016. The remaining ESOS and RSU will be vested and exercisable upon fulfillment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is commited to ensuring that the highest standards of corporate governance are practised by the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the 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 ("BNM") Policy Documents, including BNM/RH/GL 004-1: *Guidelines on Directorship for Takaful Operators* . It also complies with the tenets of corporate governance by adopting its best practices as stipulated under BNM/RH/GL 003-2: *Prudential Framework of Corporate Governance for Insurers* .

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

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibilities (cont'd.)

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 the reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are conducted annually.

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

The composition of the Board and the attendance of the directors at meetings during the year are as follows:

	Number of Board meetings attended	%
Datuk R. Karunakaran (Chairman)	9/9	100
Philippe Pol Arthur Latour (Vice Chairman)	5/5	100
Loh Lee Soon	10/10	100
Frank J.G. Van Kempen	9/10	90
Koh Heng Kong	10/10	100
Zainal Abidin Jamal	9/10	90
Dato’ Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	6/6	100
Dr Ismail Mohd @ Abu Hassan	10/10	100

The Board met 10 times during the year.

(b) Shariah Committee

The Company is advised by a Shariah Committee ("SC"). 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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(b) Shariah Committee (cont'd.)

The composition of the SC and the attendance of its members at meetings during the year are as follows:

	Number of SC meetings attended	%
Dr. Ahcene Lahsasna (Chairman)	11/11	100
Dr. Ismail Bin Mohd @ Abu Hassan	10/11	91
Dr. Mohammad Deen Bin Mohd Napiah	11/11	100
Dr. Sarip Bin Adul	11/11	100
Ahmad Jailani Bin Abdul Ghani	11/11	100

The SC met 11 times during the year.

(c) 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.

(d) Corporate Independence

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

(e) 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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

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

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

The composition of the AC and the attendance of its members at meetings during the year are as follows:

	Number of AC meetings attended	%
Loh Lee Soon (Chairman) Independent Non-Executive Director	10/10	100
Gary Lee Crist Non-Independent Non-Executive Director	10/10	100
Koh Heng Kong Independent Non-Executive Director	10/10	100

The AC met 10 times during the year.

(f) Risk Management

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

The RMC is established at the holding company's level, MAHB. 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 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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(f) Risk Management (cont'd.)

The composition of the RMC and the attendance of its members at meetings during the year are as follows:

	Number of RMC meetings attended	%
Koh Heng Kong (Chairman) (Appointed on 1 January 2016) Independent Non-Executive Director	10/10	100
Gary Lee Crist Non-Independent Non-Executive Director	10/10	100
Loh Lee Soon (Appointed on 1 January 2016) Independent Non-Executive Director	10/10	100

The RMC met 10 times during the year.

(g) Nomination and Remuneration Committee

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

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

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

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

The composition of the NRC and the attendance of its members at meetings during the year are as follows:

	Number of NRC meetings attended	%
Dato' Seri Ismail Shahudin (Chairman) (Deceased on 30 July 2016) Independent Non-Executive Director	N/A	N/A
Dato' Dr. Tan Tat Wai Independent Non-Executive Director	13/13	100
Datuk R. Karunakaran Independent Non-Executive Director	13/13	100
Bapak Edwin Gerungan Non-independent Non-Executive Director	13/13	100
Cheng Kee Check (Appointed on 25 April 2016) Non-independent Non-Executive Director	9/9	100

The NRC met 13 times during the year.

(h) Investment Committee

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

The objectives of the IC include:

(i) to present an opinion on the long-term strategic investment policy including real estate, as a recommendation during the Risk Management Meeting ("RMM") or to the 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");

CORPORATE GOVERNANCE (CONT'D.)

(h) Investment Committee (cont'd.)

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

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

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

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

(vii) to discuss peer review on investment performance.

The composition of the IC and the attendance of its members at meetings during the year are as follows:

	Number of IC meetings attended	**%**
Datuk Abdul Farid Alias (Chairman) Non-Independent Executive Director	4/4	100
Philippe Pol Arthur Latour (Appointed on 1 July 2016) Non-Independent Non-Executive Director	0/2	0
Dato' Mohamed Rafique Merican Bin Mohd Wahiduddin Merican (Appointed on 1 January 2016) Non-Independent Non-Executive Director	4/4	100
Frank J.G. Van Kempen (Resigned on 1 July 2016) Non-Independent Non-Executive Director	2/2	100

The IC met 4 times during the year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

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

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

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

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

The composition of the BOC FSA and IFSA and the attendance of its members at meetings during the year are as follows:

	Number of BOC FSA and IFSA meetings attended	%
Zainal Abidin Jamal (Chairman) Non-Independent Non-Executive Director	11/11	100
Frank J.G. Van Kempen Non-Independent Non-Executive Director	9/11	82
Koh Heng Kong Independent Non-Executive Director	11/11	100

The BOC FSA and IFSA met 11 times during the year.

(j) Board IT Oversight Committee ("BOC IT")

The BOC IT is a governance body which carries an oversight function for IT related activities.

The BOC is established at the level of the holding company, MAHB.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

(j) Board IT Oversight Committee ("BOC IT") (cont'd.)

The composition of the BOC IT members are as follows:

Loh Lee Soon (Chairman)
Independent Non-Executive Director

Philippe Pol Arthur Latour
Non-Independent Non-Executive Director

Kamaludin Ahmad
Chief Executive Officer, MAHB

Mohd Suhail Amar Suresh
Group Chief Technology Officer, Maybank

Hans Van Wuijckhuijse
Regional Director, Business Development Ageas Asia

(k) Public Accountability

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

(l) Financial Reporting

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

FINANCIAL HOLDING COMPANY

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

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

   (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Company which has arisen since the end of the financial year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

SIGNIFICANT/SUBSEQUENT EVENT

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 February 2017.

Datuk R. Karunakaran

Loh Lee Soon

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Datuk R. Karunakaran 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 22 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 2016 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 16 February 2017.

Datuk R. Karunakaran

Loh Lee Soon

Kuala Lumpur, Malaysia
16 February 2017

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

I, Kamaludin Ahmad, 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 22 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 abovenamed Kamaludin Ahmad at Kuala Lumpur in Wilayah Persekutuan on 16 February 2017

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
MALAYSIA

Kamaludin Ahmad

Before me,

Commissioner for Oaths

No. 10-1, 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 Most Beneficent, the Most Merciful

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

In compliance with our letter of appointment and terms of reference, we have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2016. We have also conducted our review to form an opinion pursuant to Section 30(1) of 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 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 2016 that we have reviewed are in compliance with the Shariah principles;

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

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

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

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONT'D.)

In the name of Allah, the Most Beneficent, the Most 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 2016 have been conducted in conformity with the rules and principles of Shariah.

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

Allah knows best.

Signed on behalf of the Committee.

Dr. Ahcene Lahsasna

Dr. Mohammad Deen Mohd Napiah

Kuala Lumpur, Malaysia
16 February 2017

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Building a better working world

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266243-D

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2016, the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2016, and summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 190.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and its cash flows for the year ended 31 December 2016 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd.)

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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266243-D

Independent auditors' report to the member of
Etiqa Takaful Berhad (Cont'd.)
(Incorporated 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 members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Yeo Beng Yean
No. 03013/10/2018 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 February 2017

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31.12.2016				31.12.2015			
		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	470	-	-	470	816	-	-	816
Intangible assets	4	5,745	-	-	5,745	5,381	-	-	5,381
Investments	5	2,415,098	1,760,659	9,218,443	13,370,827	2,036,420	1,596,575	8,716,748	12,327,627
Financing receivables	6	17,371	-	-	17,371	19,924	-	3,300	23,224
Retakaful assets	7	-	242,173	49,675	291,848	-	200,860	36,129	236,989
Takaful receivables	8	-	65,101	84,996	150,097	-	85,479	89,732	175,211
Other receivables	9	292,193	15,260	100,923	140,278	246,215	17,372	91,319	150,399
Deferred tax assets	16	7,492	6,786	-	13,764	12,719	5,835	5,274	23,828
Qard receivable*		-	-	-	-	36,684	-	-	-
Current tax assets		-	3,883	20,282	24,165	4,396	3,883	20,335	28,614
Cash and bank balances		12,487	69,694	70,846	153,027	14,326	51,037	61,178	126,541
Total assets		2,750,856	2,163,556	9,545,165	14,167,592	2,376,881	1,961,041	9,024,015	13,098,630
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS									
Equity									
Share capital	10	400,000	-	-	400,000	400,000	-	-	400,000
Reserves	11	1,373,061	-	-	1,370,688	1,133,721	-	-	1,132,605
Total equity		1,773,061	-	-	1,770,688	1,533,721	-	-	1,532,605
Liabilities and Participants' Funds									
Participants' funds	12	-	155,321	2,824,275	2,979,596	-	116,893	2,521,759	2,638,652
Takaful certificate liabilities	13	-	1,559,724	6,341,039	7,879,763	-	1,505,903	6,135,081	7,619,984
Qard payable*		-	-	-	-	-	-	36,684	-
Subordinated obligation	14	300,000	-	-	300,000	300,000	-	-	300,000
Expense liabilities	15	526,588	-	-	526,588	470,531	-	-	470,531
Deferred tax liabilities	16	-	-	514	-	-	-	-	-
Takaful payables	17	7,762	61,776	38,213	107,751	6,034	41,729	39,364	87,127
Other payables	18	135,939	386,735	341,124	595,700	65,406	296,516	291,127	448,542
Profit payable on subordinated obligation	14	1,189	-	-	1,189	1,189	-	-	1,189
Current tax liabilities		6,317	-	-	6,317	-	-	-	-
Total liabilities and participants' funds		977,795	2,163,556	9,545,165	12,396,904	843,160	1,961,041	9,024,015	11,566,025
Total equity, liabilities and participants' funds		2,750,856	2,163,556	9,545,165	14,167,592	2,376,881	1,961,041	9,024,015	13,098,630

** During the financial year, the outstanding Qard was repaid to Shareholder's Fund.*

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016				2015			
		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	**710,050**	**1,250,561**	**1,581,806**	**2,930,462**	**658,214**	**1,171,031**	**1,632,422**	**2,886,625**
Gross earned contributions	20	-	1,180,095	1,184,225	2,364,207	-	1,112,551	1,266,686	2,379,125
Earned contributions ceded to retakaful	20	-	(94,905)	(52,658)	(147,563)	-	(97,035)	(34,888)	(131,923)
Net earned contributions	20	-	1,085,190	1,131,567	2,216,644	-	1,015,516	1,231,798	2,247,202
Fee and commission income	21	611,842	15,900	2,498	18,398	574,930	12,438	4,079	16,517
Investment income	22	98,208	68,919	397,581	564,708	83,284	62,378	365,736	511,398
Net realised gains	23	16,792	13,427	39,111	69,330	12,632	5,796	61,689	80,117
Net fair value gains/(losses)	24	-	(369)	48,626	48,257	-	729	(22,979)	(22,250)
Other operating (expenses)/ income, net	25	(399)	13,229	(15,267)	(2,437)	(19,464)	(2,561)	(135,069)	(157,094)
Other revenue		726,443	111,106	472,549	698,256	651,382	78,780	273,456	428,688
Gross benefits and claims paid	26	-	(610,410)	(734,578)	(1,344,988)	-	(587,445)	(679,804)	(1,267,249)
Claims ceded to retakaful	26	-	29,524	24,595	54,119	-	93,867	33,028	126,895
Gross change to certificate liabilities	26	-	(52,274)	(203,153)	(725,989)	-	(114,081)	(240,029)	(701,288)
Change in certificate liabilities ceded to retakaful	26	-	29,935	13,546	43,481	-	(40,368)	21,331	(19,037)
Net benefits and claims		-	(603,225)	(899,590)	(1,973,377)	-	(648,027)	(865,474)	(1,860,679)
Management expenses	27	(279,982)	(1,031)	(30,134)	(311,034)	(244,301)	(864)	(31,318)	(276,371)
Change in expense liabilities	30	(56,057)	-	-	(56,057)	(72,789)	-	-	(72,789)
Fee and commission expenses	31	(228,510)	(351,836)	(262,427)	(230,931)	(232,692)	(290,360)	(290,306)	(238,428)
Profit on subordinated obligation		(13,597)	-	-	(13,597)	(13,560)	-	-	(13,560)
Tax borne by participants	32	-	5,128	8,859	13,987	-	10,105	25,011	35,116
Other expenses		(578,146)	(347,739)	(283,702)	(597,632)	(563,342)	(281,119)	(296,613)	(566,032)
Operating profit before surplus transfers		148,297	245,332	420,824	343,891	88,040	165,150	343,167	249,179
Surplus transferred to participants' funds		-	(137,240)	(333,322)	-	-	(95,380)	(251,798)	-
Surplus attributable to shareholders		195,594	(108,092)	(87,502)	-	161,139	(69,770)	(91,369)	-
Profit/surplus before taxation		343,891	-	-	343,891	249,179	-	-	249,179
Taxation	32	(109,573)	-	-	(109,573)	(98,803)	-	-	(98,803)
Zakat		(3,456)	-	-	(3,456)	(8,056)	-	-	(8,056)
Net profit for the year		230,862	-	-	230,862	142,320	-	-	142,320
Basic and diluted earnings per share (sen)	33	58	-	-	58	36	-	-	36

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 2016

	Note	2016				2015			
		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		230,862	-	-	230,862	142,320	-	-	142,320
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		28,448	25,829	12,265	65,285	15,399	(4,875)	105,453	115,080
Realised gain transferred to income statement	23	(16,792)	(13,427)	(24,086)	(54,305)	(12,632)	(5,796)	(47,084)	(65,512)
Tax effects relating to components of other comprehensive income	16	(3,178)	(3,365)	921	(5,622)	(692)	2,668	(4,142)	(2,166)
Other comprehensive income/(loss) attributable to participants		-	(9,037)	10,900	1,863	-	8,003	(54,227)	(46,224)
Other comprehensive income/(loss) for the year, net of tax		8,478	-	-	7,221	2,075	-	-	1,178
Total comprehensive income for the year		239,340	-	-	238,083	144,395	-	-	143,498

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 2016

	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 2016	400,000	(29,676)	1,162,281	1,532,605
Net profit after tax for the year	-	-	230,862	230,862
Other comprehensive income for the year	-	7,221	-	7,221
Total comprehensive income for the year	-	7,221	230,862	238,083
At 31 December 2016	400,000	(22,455)	1,393,143	1,770,688
At 1 January 2015	400,000	(30,854)	1,019,961	1,389,107
Net profit after tax for the year	-	-	142,320	142,320
Other comprehensive income for the year	-	1,178	-	1,178
Total comprehensive income for the year	-	1,178	142,320	143,498
At 31 December 2015	400,000	(29,676)	1,162,281	1,532,605

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat		343,891	249,179
Adjustments for:			
Depreciation of property, plant and equipment		401	544
Amortisation of intangible assets		710	697
Fair value (gains)/losses on investments		(48,257)	22,250
Realised gains on disposal of investments		(69,330)	(80,117)
Write off of property, plant and equipment		-	1
Allowance for/(reversal of) impairment losses on:			
- Investments		18,078	160,039
- Takaful receivables		(9,284)	1,278
- Other receivables		(89)	(668)
- Financing receivables		(4)	(71)
- Retakaful assets		(2,540)	(2,335)
Profit income		(560,937)	(470,260)
Finance cost		13,597	13,560
Gross dividend/distribution income		(22,195)	(51,950)
Net amortisation of premiums		14,853	7,956
(Decrease)/increase in net contribution liabilities		(7,291)	9,775
Surplus transferred from general takaful fund		137,240	95,380
Surplus transferred from family takaful fund		333,322	251,798
Operating cash flows before working capital changes		142,165	207,056
Changes in working capital:			
Proceeds from sale of investments		6,039,742	6,284,079
Purchase of investments		(7,295,891)	(6,486,553)
Decrease/(increase) in takaful receivables		34,398	(9,611)
Decrease in other receivables		64,468	86,795
Increase/(decrease) in takaful payables		20,624	(20,857)
Increase/(decrease) in other payables		55,221	(1,717)
Increase in expense liabilities		56,057	72,789
Decrease in financing receivables		5,857	4,314
Decrease/(increase) in placements of deposits with financial institutions		308,599	(785,602)
(Increase)/decrease in retakaful assets		(43,481)	19,037
Increase in claims liabilities		258,232	354,242
Operating cash flows after working capital changes		(354,009)	(276,028)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)			
Profit income received		542,218	458,273
Gross dividend/distribution income received		23,326	56,969
Zakat paid		(8,429)	(7,302)
Taxation paid		(107,917)	(115,375)
Tax refund		30,221	11,958
Mudharabah paid to participants		(84,198)	(108,510)
Net cash flows generated from operating activities	36	41,212	19,985
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(1,074)	(259)
Purchase of property, plant and equipment		(55)	(127)
Net cash flows used in investing activities	36	(1,129)	(386)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid on subordinated obligation		(13,597)	(13,634)
Net cash flows used in financing activities	36	(13,597)	(13,634)
Increase in cash and cash equivalents	36	26,486	5,965
Cash and cash equivalents at beginning of year		126,541	120,576
Cash and cash equivalents at end of year		153,027	126,541
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		12,487	14,326
General takaful fund		69,694	51,037
Family takaful fund		70,846	61,178
		153,027	126,541

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 February 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 1965 in Malaysia.

On September 2016, the Companies Act 2016 ("New Act") was enacted and will replace the Companies Act, 1965 in Malaysia with the New Act to be effective on 31 January 2017. The key changes of the New Act are disclosed in Note 2.5.

At the beginning of the current financial year, there were no new and revised MFRSs which were mandatory for the financial periods beginning on or after 1 January 2016. The Company, however, has adopted those Amendments to MFRSs effective for the annual periods beginning on or after 1 January 2016 as disclosed in Note 2.3.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

(a) Statement of compliance (cont'd.)

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

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

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

Takaful operations and its funds

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimate and judgements

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies

(a) Property, plant and equipment and depreciation

All items of property and equipment are initially recorded at cost. The costs of an item of property, plant and equipment are recognised as an asset, if, and only if, it is probable that future economic benefits associated with the item will 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 profit or loss as incurred.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Intangible assets

Intangible assets include computer software and licences. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and 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 are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Amortisation is charged to profit or loss. Work-in-progress are also not depreciated as these assets are not available for use.

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

Computer software and licenses

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

(c) Leases

(i) Classification

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Financial assets

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

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

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

(i) Financial assets at FVTPL

Financial assets as at FVTPL include held-for-trading ("HFT") financial assets 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Financial assets (cont'd.)

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

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

(ii) LAR

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

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

(iii) AFS financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Financial assets (cont'd.)

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

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has transferred substantially all the risks and rewards of the financial asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income 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 market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company and/or the takaful funds commit to purchase or sell the asset.

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

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

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

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

Over-the-counter derivatives comprise of foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by respective counter parties in accordance with market conventions.

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.)

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

(a) Financial Assets

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

(i) Takaful receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment (cont'd.)

(a) Financial Assets (cont'd.)

(i) Takaful receivables (cont'd.)

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.)

(a) Financial Assets (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 losses 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 equities securities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Impairment (cont'd.)

(a) Financial Assets (cont'd.)

(iv) Loans and receivables

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

(b) Non-financial assets

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

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 its 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Retakaful assets

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

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

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

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

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

(h) Product classification

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Product classification (cont'd.)

A takaful certificate is a certificate under which the participants' fund has accepted significant takaful 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 defines whether significant takaful risk has been accepted by comparing benefits paid or payable on the occurrence of an insured 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 underwriting risk accepted is deemed to be significant.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Product classification (cont'd.)

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 underwriting risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying components are required to be unbundled unless all obligations and rights arising from the deposit component have already been accounted for. Any contributions relating to the takaful underwriting risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(i) Shareholder's fund

<u>Expense liabilities</u>

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

(i) Expense liabilities of general takaful fund

Expense liabilities in relation to the Company's general takaful business 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").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

Expense liabilities (cont'd.)

(i) Expense liabilities of general takaful fund (cont'd.)

(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 in maintaining certificates with unexpired risks. The method used in computing UER is consistent with the calculation of unexpired risk reserves ("URR").

(ii) Expense liabilities of family takaful fund

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

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

(iii) Liability adequacy test

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) General takaful fund

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

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.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

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

(ii) General takaful certificate liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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 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.

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

- 25% method for marine cargo and aviation cargo, and transit business; and
- all other classes of general business, using time-apportionment basis over the period of the risks, 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%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

(a) Unearned contribution reserves (cont'd.)

Wakalah

The UCR for wakalah business is calculated on contribution income with a further deduction for wakalah management expense to reflect the wakalah business principle.

(b) Unexpired risk reserves ("URR")

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 an Appointed Actuary.

Claim liabilities

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are 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 value 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 Appointed Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Liability adequacy test

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

(iv) Claim expenses

Claim expenses represent compensation paid or payable on behalf of the certificate holders in relation to a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting year even if they had not been reported to the Company.

(v) Commission expenses/acquisition costs

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Family takaful fund

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

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

(i) Contribution income

Contribution income is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of the 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 period as the original policies 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 takaful operator is notified.

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

- maturity and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Benefits and claims expenses (cont'd.)

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

(iii) Creation/cancellation of units

Net creation of units which represents contributions paid by participants as payment for a new contract, or subsequent payments to increase the amount of that contract, are reflected in profit or loss. 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 have been received from participants.

(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
Under the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(v) Family takaful certificate liabilities

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.

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.

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 recorded 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Measurement and impairment of Qard

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

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

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

(m) Takaful receivables

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

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

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

(n) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Income tax

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

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

(p) Zakat

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

(q) Takaful payables

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

(r) Financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Financial liabilities (cont'd.)

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.

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

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Employee benefits (cont'd.)

(ii) Defined contribution plan

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

(iii) Share-based compensation

- ESOS

  The ESOS is an equity-settled, share-based compensation plan that allows the Directors and employees of the Company 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 the 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 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Employee benefits (cont'd.)

(iii) Share-based compensation (cont'd.)

- Restricted share units ("RSU") (cont'd.)

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

(t) Foreign currency transactions

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

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

(u) Other revenue recognition

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

(i) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Other revenue recognition (cont'd.)

(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.

(v) Fee and commission income

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

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

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

(w) Equity instruments

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

(x) Offsetting of Financial Assets and Financial Liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Amendments to MFRS

At the beginning of the current financial year, the Group and the Company adopted the following Amendments to MFRS which are mandatory for financial periods beginning on or after 1 January 2016:

Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 11 Joint Arrangements: *Accounting for Acquisitions of Interests in Joint Operations*
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
Amendments to MFRS 101 *Disclosure Initiatives*
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: *Applying the Consolidation Exception*
Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above Amendments to MFRS did not result in any significant impact to the financial statements of the Company.

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

The following are Standards, Amendments to Standards, ("IC") Intepretations 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 if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendment to MFRS 12 *Disclosure of Interests in Other Entities* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2017
MFRS 107 *Statement of Cash Flows* - Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 *Income Taxes* - Recognition of Deferred Tax for Unrealised Lossess (Amendments to MFRS 112)	1 January 2017
Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Description	Effective for annual periods beginning on or after
MFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)	1 January 2018
Amendment to MFRS 128 *Investments in Associates and Joint Ventures* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Transfer to *Investment Property* (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 16 *Leases*	1 January 2019
MFRS 10 *Consolidated Financial Statements* (Amendment to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): Sale or Contribution of Assets between an investor and its Associate or Joint Venture (Amendments to MFRS 128)	To be announced by MASB

The Company does not expect that the adoption of the above pronouncements will have significant financial implications in future financial statements other than below:

MFRS 107 *Statement of Cash Flow* - Disclosures Initiatives (Amendments to MFRS 107)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (for example foreign exchange movements and fair value changes).

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. Application of the amendment will result in additional disclosures to be provided by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 112 *Income Taxes* - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that deductible tax difference will arise from unrealised losses of debt instruments classified at fair value regardless of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling the debt instrument.

In circumstances where tax law restricts the utilisation of tax losses such that an entity can only deduct the tax losses against income of a specified type, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments also clarify that when estimating taxable profit of future periods, an entity can assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired. All relevant facts and circumstances should be assessed when making this assessment.

In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with the future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendments should be applied retrospectively. However, on initial application of the amendment, adjustment to the opening equity of the earliest comparative period may be recognised in opening retained earnings, without allocating the change between retained earnings and other components of equity. If this relief is applied, the entity must disclose this fact. The Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

MFRS 9 *Financial Instruments*

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

The Company plans to adopt the new standard on the required effective date. During 2016, the Company has performed a high level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company does not anticipate significant impact to the financial statements except for the effect of potentially higher impairment losses under the expected credit loss model. The Company will perform a detailed assessment in the future to determine the extent of the anticipated impacts.

The areas with expected impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

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

- The held-to-maturity (“HTM”) and 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

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in ‘own credit risk’ for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

The Company does not expect a significant impact to the financial statements on applying the classification and measurement requirements.

Loans and receivables are held to collect contractual cash flows and are representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under MFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

(ii) Impairment

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under the current accounting standard. The Company expects to recognise either a 12-month (Stage 1) or lifetime ECL (Stage 2 and 3), depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies 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. The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 117 Leases. Appropriate impairment methodology will be adopted for calculating allowances for impairment losses.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Hedge accounting (cont'd.)

The Company has established a project team with assistance from consultants to plan and manage the implementation of MFRS 9 and is in the process of assessing the financial implications for adopting the new standard. The implementation project is expected to run for 2 years. During the financial year ended 31 December 2016, the Company has completed Phase 1 on the impact assessment and solution development. The Company has also embarked on Phase 2, Build, test and deploy of the implementation project.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 was issued in 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company expects to apply MFRS 15 fully retrospective. Given that takaful contracts are scoped out of MFRS 15, the Company expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Company does not expect the impact to be significant.

MFRS 16 *Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 16 *Leases (cont'd.)*

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company plans to assess the potential effect of MFRS 16 on its financial statement in the near future.

MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): Sale or Contribution of Assets between an investor and its Associate or Joint venture (Amendments to MFRS 128)

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments require the full gain to be recognised when the assets transferred to associate or joint venture in which it meets the definition of a business as defined in MFRS 3 *Business Combinations.* Any gain or loss on assets transferred to associate or joint venture that do not meet the definition of a business would be recognised only to the extent of the unrelated investors' interest in the associate or joint venture. The amendments are applied prospectively effective for periods beginning on or after 1 January 2016, with early application permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): Sale or Contribution of Assets between an investor and its Associate or Joint venture (Amendments to MFRS 128) (cont'd.)

On 31 December 2015, MASB announced to defer the effective date of the amendments, except for the amendments which clarify how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests, where early application still permitted. The deferment is in line with the IASB's recent decision which removed the requirement to apply Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) by 2016. The IASB’s reason for making the decision to defer the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

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

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Company has opted not to utilise the exemptions permitted under this Amendment and will fully adopt MFRS 9 effective on 1 January 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act, 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and sharehoders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company upon the commencement of the New Act on 31 January 2017 are:

- the removal of the authorised share capital; and

- the ordinary shares of the Company will cease to have par or nominal value.

The adoption of the New Act is not expected to have any financial impact on the Company for the current financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Company in the next financial year ended 31 December 2017.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

2016	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	3,824	745	323	4,892
Additions	55	-	-	55
At 31 December	3,879	745	323	4,947
Accumulated Depreciation				
At 1 January	3,109	644	323	4,076
Charge for the year	312	89	-	401
At 31 December	3,421	733	323	4,477
Net Book Value				
At 31 December	458	12	-	470
2015				
Cost				
At 1 January	3,697	750	323	4,770
Additions	127	-	-	127
Write off	-	(5)	-	(5)
At 31 December	3,824	745	323	4,892
Accumulated Depreciation				
At 1 January	2,710	503	323	3,536
Charge for the year	399	145	-	544
Write off	-	(4)	-	(4)
At 31 December	3,109	644	323	4,076
Net Book Value				
At 31 December	715	101	-	816

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

General takaful fund

2016/2015	Furniture, fittings, office equipment and renovations RM'000
Cost	
At 1 January/31 December	23
Accumulated Depreciation	
At 1 January/31 December	23
Net Book Value	
At 31 December	-

Family takaful fund

2016/2015	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
Cost			
At 1 January/31 December	32	5	37
Accumulated Depreciation			
At 1 January/31 December	32	5	37
Net Book Value			
At 1 January/31 December	-	-	-

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Company

2016	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January	3,879	750	323	4,952
Additions	55	-	-	55
At 31 December	3,934	750	323	5,007
Accumulated Depreciation				
At 1 January	3,164	649	323	4,136
Charge for the year	312	89	-	401
At 31 December	3,476	738	323	4,537
Net Book Value				
At 31 December	458	12	-	470

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

4. INTANGIBLE ASSETS

Shareholder's fund

2016	Computer software and licences RM'000	Software development in progress costs RM'000	Total RM'000
Cost			
At 1 January	13,808	-	13,808
Additions	349	725	1,074
At 31 December	14,157	725	14,882
Accumulated amortisation			
At 1 January	8,427	-	8,427
Amortisation charge for the year	710	-	710
At 31 December	9,137	-	9,137
Net Book Value			
At 31 December	5,020	725	5,745

2015	Computer software and licences RM'000	Software development in progress costs RM'000	Total RM'000
Cost			
At 1 January	13,549	-	13,549
Additions	259	-	259
At 31 December	13,808	-	13,808
Accumulated amortisation			
At 1 January	7,730	-	7,730
Amortisation charge for the year	697	-	697
At 31 December	8,427	-	8,427
Net Book Value			
At 31 December	5,381	-	5,381

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

4. INTANGIBLE ASSETS (CONT'D.)

General takaful fund

2016/2015	Computer software and licences RM'000
Cost	
At 1 January/31 December	5,536
Accumulated amortisation	
At 1 January/31 December	5,536
Net Book Value	
At 31 December	-

Family takaful fund

2016/2015	Computer software and licences RM'000
Cost	
At 1 January/31 December	9,020
Accumulated amortisation	
At 1 January/31 December	9,020
Net Book Value	
At 1 January/31 December	-

4. INTANGIBLE ASSETS (CONT'D.)

Company

	Computer software and licences RM'000	Software development in progress costs RM'000	Total RM'000
2016			
Cost			
At 1 January	28,364	-	28,364
Additions	349	725	1,074
At 31 December	28,713	725	29,438
Accumulated amortisation			
At 1 January	22,983	-	22,983
Amortisation charge for the year	710	-	710
At 31 December	23,693	-	23,693
Net book value			
At 31 December	5,020	725	5,745
2015			
Cost			
At 1 January	28,105	-	28,105
Additions	259	-	259
At 31 December	28,364	-	28,364
Accumulated Amortisation			
At 1 January	22,286	-	22,286
Amortisation charge for the year	697	-	697
At 31 December	22,983	-	22,983
Net Book Value			
At 31 December	5,381	-	5,381

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Malaysian government papers	306,503	355,813	234,991	897,307
Debt securities	1,834,341	1,021,666	7,368,567	10,224,574
Equity securities	107,597	12,795	869,150	989,542
Unit and property trust funds	3,965	302	40,320	44,587
Investment-linked units	23,373	-	-	-
Negotiable Islamic certificates of deposit ("NICD")	-	-	123,182	123,182
Deposits with financial institutions	139,319	370,083	582,233	1,091,635
	2,415,098	1,760,659	9,218,443	13,370,827
2015				
Malaysian government papers	117,241	518,895	404,672	1,040,808
Debt securities	1,552,619	930,258	5,865,174	8,348,051
Equity securities	108,538	17,921	1,140,946	1,267,405
Unit and property trust funds	3,740	331	61,352	65,423
Investment-linked units	22,116	-	-	-
Structured products (Note 5(a))	-	19,128	48,311	67,439
Negotiable Islamic certificates of deposit ("NICD")	-	9,848	128,419	138,267
Deposits with financial institutions	232,166	100,194	1,067,874	1,400,234
	2,036,420	1,596,575	8,716,748	12,327,627

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
2016				
Available-for-sale ("AFS")	2,275,779	1,390,576	2,931,491	6,574,473
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	5,676,652	5,676,652
- Held for trading ("HFT")	-	-	28,067	28,067
Loans and receivables ("LAR")	139,319	370,083	582,233	1,091,635
	2,415,098	1,760,659	9,218,443	13,370,827

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS (CONT'D.)

The Company's financial investments are summarised by categories as follows (cont'd.):

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Available-for-sale ("AFS")	1,804,254	1,498,879	3,015,738	6,296,755
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	4,610,079	4,610,079
- Held for trading ("HFT")	-	(2,498)	23,057	20,559
Loans and receivables ("LAR")	232,166	100,194	1,067,874	1,400,234
	2,036,420	1,596,575	8,716,748	12,327,627

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
2016				
AFS	2,140,844	1,312,109	2,022,846	5,475,799
FVTPL				
- Designated upon initial recognition	-	-	5,508,429	5,508,429
- HFT	-	-	17,863	17,863
	2,140,844	1,312,109	7,549,138	11,002,091
2015				
AFS	1,666,975	1,450,734	1,761,635	4,879,344
FVTPL				
- Designated upon initial recognition	-	-	4,428,747	4,428,747
- HFT	-	-	14,609	14,609
	1,666,975	1,450,734	6,204,991	9,322,700

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS (CONT'D.)

(i) AFS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
At fair value:				
Malaysian government papers	306,503	355,813	48,537	710,853
Unquoted debt securities in Malaysia	1,834,341	1,021,666	1,964,734	4,820,741
Quoted equity securities in Malaysia	107,597	12,795	859,172	979,564
Quoted unit and property trust funds in Malaysia	3,965	302	40,094	44,361
Investment-linked units	23,373	-	-	-
NICD	-	-	18,954	18,954
	2,275,779	1,390,576	2,931,491	6,574,473
2015				
At fair value:				
Malaysian government papers	117,241	518,895	155,779	791,915
Unquoted debt securities in Malaysia	1,552,619	930,258	1,647,865	4,130,742
Quoted equity securities in Malaysia	108,538	17,921	1,132,572	1,259,031
Quoted unit and property trust funds in Malaysia	3,740	331	61,278	65,349
Investment-linked units	22,116	-	-	-
Structured products (Note 5(a))	-	21,626	-	21,626
NICD	-	9,848	18,244	28,092
	1,804,254	1,498,879	3,015,738	6,296,755

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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				
2016				
At fair value:				
Malaysian government papers	-	-	179,283	179,283
Unquoted debt securities in Malaysia	-	-	5,393,141	5,393,141
NICD	-	-	104,228	104,228
	-	-	5,676,652	5,676,652
2015				
At fair value:				
Malaysian government papers	-	-	244,701	244,701
Unquoted debt securities in Malaysia	-	-	4,206,892	4,206,892
Structured products (Note 5(a))	-	-	48,311	48,311
NICD	-	-	110,175	110,175
	-	-	4,610,079	4,610,079
- HFT				
2016				
At fair value:				
Malaysian government papers	-	-	7,171	7,171
Unquoted debt securities in Malaysia	-	-	10,692	10,692
Quoted equity securities in Malaysia	-	-	9,978	9,978
Quoted unit and property trust funds outside Malaysia	-	-	226	226
	-	-	28,067	28,067

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS (CONT'D.)

(ii) FVTPL (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
- HFT (cont'd.)				
2015				
At fair value:				
Malaysian government papers	-	-	4,192	4,192
Unquoted debt securities in Malaysia	-	-	10,417	10,417
Quoted equity securities in Malaysia	-	-	8,374	8,374
Quoted unit and property trust funds outside Malaysia	-	-	74	74
Structured products (Note 5(a))	-	(2,498)	-	(2,498)
	-	(2,498)	23,057	20,559

(iii) LAR

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	98,616	349,612	494,201	942,429
Others	40,703	20,471	88,032	149,206
	139,319	370,083	582,233	1,091,635
2015				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	187,022	85,194	797,589	1,069,805
Others	45,144	15,000	270,285	330,429
	232,166	100,194	1,067,874	1,400,234

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS (CONT'D.)

(iii) LAR (cont'd.)

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

Included in LAR financial assets are assets pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic Berhad which amounted to RM3,000,000 (2015: 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 to the financial statements.

(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:

	<---------------2016 ------------>		<---------------2015 ------------	
	Principal/ Notional Amount RM'000	**Net Carrying Amount RM'000**	**Principal/ Notional Amount RM'000**	**Net Carrying Amount RM'000**
Financial assets designated as FVTPL				
Structured products of the Family takaful fund	-	-	50,000	48,311
Bifurcated derivatives relating to structured products of * :				
General takaful fund	-	-	-	(2,498)
	-	-	50,000	45,813
AFS financial assets				
Host contract relating to structured products of * :				
General takaful fund	-	-	20,000	21,626
	-	-	20,000	21,626
Grand total	-	-	70,000	67,439

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. INVESTMENTS (CONT'D.)

(a) STRUCTURED PRODUCTS (CONT'D.)

* 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
2016				
Corporate loans	-	3,331	-	3,331
Staff loans:				
Secured	15,113	-	-	15,113
Unsecured	-	-	-	-
Others	3,039	-	11	3,050
Allowance for impairment losses	(781)	(3,331)	(11)	(4,123)
	17,371	-	-	17,371
Receivable after 12 months	13,413	-	-	13,413
2015				
Corporate loans	-	3,331	6,500	9,831
Staff loans:				
Secured	18,330	-	-	18,330
Unsecured	1	-	-	1
Others	2,377	-	12	2,389
Allowance for impairment losses	(784)	(3,331)	(3,212)	(7,327)
	19,924	-	3,300	23,224
Receivable after 12 months	16,253	-	-	16,253

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

6. FINANCING RECEIVABLES (CONT'D.)

The carrying amount approximates 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 rates during the financial year was 3.85% (2015: 2.80%) per annum.

7. RETAKAFUL ASSETS

	2016 RM'000	2015 RM'000
Retakaful operators' share of:		
General takaful certificate liabilities (Note 13)	242,173	203,400
Family takaful certificate liabilities (Note 13)	49,675	36,129
Allowance for impairment losses in relation to to general takaful certificate liabilities	-	(2,540)
	291,848	236,989

8. TAKAFUL RECEIVABLES

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016			
Due contributions including agents/ brokers and co-takaful balances	59,738	78,248	137,986
Due from retakaful operators	12,440	8,828	21,268
	72,178	87,076	159,254
Allowance for impairment losses	(7,077)	(2,080)	(9,157)
	65,101	84,996	150,097
2015			
Due contributions including agents/ brokers and co-takaful balances	55,465	70,336	125,801
Due from retakaful operators	50,528	23,559	74,087
	105,993	93,895	199,888
Allowance for impairment losses	(20,514)	(4,163)	(24,677)
	85,479	89,732	175,211

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

8. TAKAFUL RECEIVABLES (CONT'D.)

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 RM409,847 (2015: RM637,570) 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
2016				
Sundry receivables, deposits and prepayments	3,134	389	702	4,225
Allowance for impairment losses	(1,237)	-	(510)	(1,747)
	1,897	389	192	2,478
Investment profit and dividend receivable	25,627	14,871	94,366	134,864
Amounts due from:				
General takaful fund*	132,194	-	6,365	-
Family takaful fund*	129,539	-	-	-
Goods and service tax recoverable	2,936	-	-	2,936
	292,193	15,260	100,923	140,278
2015				
Sundry receivables, deposits and prepayments	2,433	455	815	3,703
Allowance for impairment losses	(1,294)	(32)	(510)	(1,836)
	1,139	423	305	1,867
Investment profit and dividend receivable	19,484	16,283	81,648	117,415
Amounts due from:				
General takaful fund*	91,526	-	-	-
Family takaful fund*	112,315	666	-	-
Amounts due from stockbrokers	19,761	-	9,366	29,127
Goods and service tax recoverable	1,990	-	-	1,990
	246,215	17,372	91,319	150,399

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

9. OTHER RECEIVABLES (CONT'D.)

The carrying amounts (other than prepayments) are reasonable approximations of fair values 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/Company	No. of shares '000	Amount RM'000
2016/2015		
Authorised:		
Ordinary shares of RM1.00 each		
At 1 January/31 December	500,000	500,000
2016/2015		
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At 1 January/31 December	400,000	400,000

11. RESERVES

	2016 RM'000	2015 RM'000
Shareholder's fund/Company		
Non-distributable:		
AFS reserves	(20,082)	(28,560)
Less: Seed money elimination	(2,373)	(1,116)
	(22,455)	(29,676)
Distributable:		
Retained profits	1,393,143	1,162,281
	1,370,688	1,132,605

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

12. PARTICIPANTS' FUND

	2016 RM'000	2015 RM'000
Takaful funds and Company		
General takaful fund (Note (a))	155,321	116,893
Family takaful fund (Note (b))	2,824,275	2,521,759
Company	2,979,596	2,638,652

	2016 RM'000	2015 RM'000
(a) General takaful fund		
Accumulated surplus (Note (i))	175,393	146,002
AFS reserves (Note (ii))	(20,072)	(29,109)
	155,321	116,893
(i) Accumulated surplus		
At 1 January	146,002	202,806
Surplus arising during the year	137,240	95,380
Hibah paid to participants during the year	(107,849)	(152,184)
At 31 December	175,393	146,002
(ii) AFS reserves		
At 1 January	(29,109)	(21,106)
Net gain/(loss) on fair value changes	25,829	(4,875)
Realised gain transferred to income statement (Note 23)	(13,427)	(5,796)
Deferred tax on fair value changes (Note 16)	(3,365)	2,668
At 31 December	(20,072)	(29,109)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

12. PARTICIPANTS' FUND (CONT'D.)

	2016 RM'000	2015 RM'000
(b) Family takaful fund		
Accumulated surplus (Note (i))	2,738,884	2,451,312
Surplus attributable to participants (Note (ii))	75,582	49,738
AFS reserves (Note (iii))	9,809	20,709
	2,824,275	2,521,759

	2016 RM'000	2015 RM'000
(i) Accumulated surplus		
At 1 January	2,451,312	2,270,764
Surplus arising during the year	333,322	251,798
Surplus attributable to participants during the year	(25,844)	(20,034)
Hibah paid to participants during the year	(19,906)	(51,216)
At 31 December	2,738,884	2,451,312
(ii) Surplus attributable to participants		
At 1 January	49,738	29,704
Surplus attributable to participants during the year	25,844	20,034
At 31 December	75,582	49,738
(iii) AFS reserves		
At 1 January	20,709	(33,518)
Net gain on fair value changes	12,265	105,453
Realised gain transferred to income statement (Note 23)	(24,086)	(47,084)
Deferred tax on fair value changes (Note 16)	921	(4,142)
At 31 December	9,809	20,709

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful RM'000	Net RM'000
Takaful funds and Company			
2016			
General takaful fund (Note (a))	1,559,724	(242,173)	1,317,551
Family takaful fund (Note (b))	6,341,039	(49,675)	6,291,364
	7,900,763	(291,848)	7,608,915
Less: Seed money elimination	(21,000)	-	(21,000)
	7,879,763	(291,848)	7,587,915
2015			
General takaful fund (Note (a))	1,505,903	(203,400)	1,302,503
Family takaful fund (Note (b))	6,135,081	(36,129)	6,098,952
	7,640,984	(239,529)	7,401,455
Less: Seed money elimination	(21,000)	-	(21,000)
	7,619,984	(239,529)	7,380,455

(a) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
2016			
Claims liabilities (Note (i))	978,209	(215,514)	762,695
Contribution liabilities (Note (ii))	581,515	(26,659)	554,856
	1,559,724	(242,173)	1,317,551
2015			
Claims liabilities (Note (i))	925,935	(185,579)	740,356
Contribution liabilities (Note (ii))	579,968	(17,821)	562,147
	1,505,903	(203,400)	1,302,503

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
2016			
At 1 January	925,935	(185,579)	740,356
Claims incurred in the current accident year	772,249	(75,243)	697,006
Movement in claims incurred in prior accident years	(29,723)	4,821	(24,902)
Claims paid during the year	(610,410)	29,524	(580,886)
Movements in PRAD	(79,842)	10,963	(68,879)
At 31 December	978,209	(215,514)	762,695
2015			
At 1 January	811,854	(225,947)	585,907
Claims incurred in the current accident year	653,152	(30,068)	623,084
Movement in claims incurred in prior accident years	30,703	(30,996)	(293)
Claims paid during the year	(587,445)	93,867	(493,578)
Movements in PRAD	17,671	7,565	25,236
At 31 December	925,935	(185,579)	740,356

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
2016			
At 1 January	579,968	(17,821)	562,147
Contributions written during the year	1,181,642	(103,743)	1,077,899
Contributions earned during the year	(1,180,095)	94,905	(1,085,190)
At 31 December	581,515	(26,659)	554,856

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(ii) Contribution liabilities (cont'd.)

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

(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
2016			
Claims liabilities (Note (ii))	152,003	(9,356)	142,647
Actuarial liabilities (Note (ii))	6,158,453	(40,319)	6,118,134
NAV attributable to unit holders (Note (ii))	30,583	-	30,583
	6,341,039	(49,675)	6,291,364
2015			
Claims liabilities (Note (ii))	121,506	(9,888)	111,618
Actuarial liabilities (Note (ii))	5,987,224	(26,241)	5,960,983
NAV attributable to unit holders (Note (ii))	26,351	-	26,351
	6,135,081	(36,129)	6,098,952

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

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

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unit holders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
2016						
At 1 January	121,506	5,987,224	26,351	6,135,081	(36,129)	6,098,952
Net earned contribution	-	-	10,421	10,421	(52,658)	(42,237)
Other revenue	-	-	1,799	1,799	-	1,799
Experience/benefit variation	2,805	-	-	2,805	28,064	30,869
Claims intimated during the year	754,737	(754,737)	-	-	532	532
Claims paid during the year	(727,045)	-	(7,533)	(734,578)	24,595	(709,983)
Other expenses	-	-	(352)	(352)	-	(352)
Taxation	-	-	(103)	(103)	-	(103)
Increase in certificate reserves	-	925,966	-	925,966	(14,079)	911,887
At 31 December	152,003	6,158,453	30,583	6,341,039	(49,675)	6,291,364

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(ii) The movements of the family takaful certificate liabilities are as follows (cont'd.):

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

14. SUBORDINATED OBLIGATION

Shareholder's fund/Company	2016 RM'000	2015 RM'000
Tier 2 Capital Subordinated Sukuk	300,000	300,000
Profit payable on subordinated obligations	1,189	1,189

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 or in part, on 30 May 2019 (first call date) and each semi-annual profit payment date thereafter at the principal amount together with expected return less periodic distribution made.

The fair value of the subordinated obligations are RM299,868,000 (2015: 299,604,000) and is determined by reference to indicative ask-prices obtained from Bondweb provided by BPAM. The fair values of subordinated obligations are categorised under Level 2 of their fair value hierarchy as the valuations were mainly based on market observable inputs.

15. EXPENSE LIABILITIES

	2016 RM'000	2015 RM'000
Shareholder's fund/Company		
UWF of general takaful fund	135,813	116,199
UER of family takaful fund	390,775	354,332
	526,588	470,531

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

15. EXPENSE LIABILITIES (CONT'D.)

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
2016			
At 1 January	116,199	354,332	470,531
Wakalah fee received during the year (Note 21)	351,836	-	351,836
Wakalah fee earned during the year	(332,222)	-	(332,222)
Movement in UWF (Note 30)	19,614	-	19,614
Movement in UER (Note 30)	-	36,443	36,443
At 31 December	135,813	390,775	526,588
2015			
At 1 January	97,820	299,922	397,742
Wakalah fee received during the year (Note 21)	290,360	-	290,360
Wakalah fee earned during the year	(271,981)	-	(271,981)
Movement in UWF (Note 30)	18,379	-	18,379
Movement in UER (Note 30)	-	54,410	54,410
At 31 December	116,199	354,332	470,531

16. DEFERRED TAXATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
At 1 January	12,719	5,835	5,274	23,828
Recognised in :				
Profit or loss (Note 32)	(2,049)	-	-	(2,049)
Other comprehensive income/ participants' fund	(3,178)	(3,365)	921	(5,622)
Tax borne by participants (Note 32)	-	4,316	(6,709)	(2,393)
At 31 December	7,492	6,786	(514)	13,764

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows:

	2016 RM'000	2015 RM'000
Shareholder's fund		
Deferred tax assets	8,661	13,832
Deferred tax liabilities	(1,169)	(1,113)
	7,492	12,719

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

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

Shareholder's fund (cont'd.)

(i) Deferred tax assets

	Impairment on AFS financial assets RM'000	Net amortisation of premiums on investments RM'000	AFS reserves RM'000	Impairment on financial receivables RM'000	Total RM'000
2016					
At 1 January	2,336	1,780	9,520	196	13,832
Recognised in:					
Profit or loss	(2,221)	236	-	(8)	(1,993)
Other comprehensive income	-	-	(3,178)	-	(3,178)
At 31 December	115	2,016	6,342	188	8,661
2015					
At 1 January	2,519	647	10,212	213	13,591
Recognised in:					
Profit or loss	(183)	1,133	-	(17)	933
Other comprehensive income	-	-	(692)	-	(692)
At 31 December	2,336	1,780	9,520	196	13,832

(ii) Deferred tax liabilities

	Accelerated capital allowances RM'000
2016	
At 1 January	(1,113)
Recognised in:	
Profit or loss	(56)
Other comprehensive income	-
At 31 December	(1,169)

16. DEFERRED TAXATION (CONT'D.)

Shareholder's fund (cont'd.)

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

	Accelerated capital allowances RM'000
2015	
At 1 January	(1,478)
Recognised in profit or loss	365
At 31 December	(1,113)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes 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

	2016 RM'000	2015 RM'000
Deferred tax assets	7,987	10,579
Deferred tax liabilities	(1,201)	(4,744)
	6,786	5,835

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

	Net accretion of discounts on investments RM'000	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Takaful certificate liabilities RM'000	Total RM'000
2016					
At 1 January	(169)	9,704	875	(103)	10,307
Recognised in:					
Profit or loss	891	-	12	142	1,045
Participants' fund	-	(3,365)	-	-	(3,365)
At 31 December	722	6,339	887	39	7,987

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

General takaful fund (cont'd.)

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

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

(ii) Deferred tax liabilities

	Net accretion of discounts on investments RM'000	Takaful certificate liabilities RM'000	Impairment on takaful receivables RM'000	Impairment on takaful receivables RM'000	Total RM'000
2016					
At 1 January	-	-	(93)	(4,379)	(4,472)
Recognised in:					
Profit or loss	-	-	93	3,178	3,271
At 31 December	-	-	-	(1,201)	(1,201)
2015					
At 1 January	(612)	(60)	89	(3,704)	(4,287)
Recognised in:					
Profit or loss	443	(43)	(182)	(675)	(457)
At 31 December	(169)	(103)	(93)	(4,379)	(4,744)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes 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:

Family takaful fund

	2016 RM'000	2015 RM'000
Deferred tax assets	806	6,627
Deferred tax liabilities	(1,320)	(1,353)
	(514)	5,274

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

	Impairment on AFS financial assets RM'000	Net amortisation of premiums on investments RM'000	Fair value adjustment RM'000	Total RM'000
2016				
At 1 January	2,251	-	-	2,251
Recognised in:				
Profit or loss	(1,445)	-	-	(1,445)
Participants' fund	-	-	-	-
At 31 December	806	-	-	806
2015				
At 1 January	10,065	(145)	1,953	11,873
Recognised in:				
Profit or loss	(7,814)	767	1,801	(5,246)
Participants' fund	-	-	-	-
At 31 December	2,251	622	3,754	6,627

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. DEFERRED TAXATION (CONT'D.)

Family takaful fund (cont'd.)

(ii) Deferred tax liabilities

	AFS reserves RM'000	Accretion of discounts on investments RM'000	Fair value adjustment RM'000	Total RM'000
2016				
At 1 January	(1,353)	622	3,754	3,023
Recognised in:				
Profit or loss	-	(1,487)	(3,777)	(5,264)
Participants'	921	-	-	921
At 31 December	(432)	(865)	(23)	(1,320)
2015				
At 1 January	2,789	-	-	2,789
Recognised in:				
Profit or loss	(4,142)	-	-	(4,142)
At 31 December	(1,353)	-	-	(1,353)

17. TAKAFUL PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Amounts due to agents and brokers	7,762	25,356	21,390	54,508
Amounts due to retakaful operators	-	36,420	16,823	53,243
	7,762	61,776	38,213	107,751
2015				
Amounts due to agents and brokers	6,034	10,475	18,193	34,702
Amounts due to retakaful operators	-	31,254	21,171	52,425
	6,034	41,729	39,364	87,127

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

17. TAKAFUL PAYABLES (CONT'D.)

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 to related parties amounting to RM859,201 (2015: RM5,309,472) as disclosed in Note 38. The amounts payable 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
2016				
Contribution deposits	100	1,638	69,311	71,049
Amounts due to:				
Shareholder's fund*	-	132,194	129,539	-
Family takaful fund*	-	6,365	-	-
Amount due to stockbrokers	35,578	100	19,888	55,566
Unclaimed monies	181	51,507	43,693	95,381
Service tax payable	-	25	-	25
Mudharabah payable	-	185,640	16,907	202,547
Witholding tax payable	-	-	26,997	26,997
Amount due to ultimate holding company*	11,282	24	169	11,475
Amount due to holding company*	1,860	-	-	1,860
Amount due to related parties*	4,561	-	-	4,561
Goods and service tax payable	-	7,642	397	8,039
Zakat payable	3,866	-	-	3,866
Provisions for expenses	21,977	-	-	21,977
Sundry payables and accrued liabilities	56,534	1,600	34,223	92,357
	135,939	386,735	341,124	595,700

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

18. OTHER PAYABLES (CONT'D.)

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

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

* Amounts due to 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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

19. OPERATING REVENUE

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Wakalah fees (Note 21)	611,842	-	-	-
Investment income (Note 22)	98,208	68,919	397,581	564,708
Gross contributions (Note 20)	-	1,181,642	1,184,225	2,365,754
	710,050	1,250,561	1,581,806	2,930,462
2015				
Wakalah fees (Note 21)	574,930	-	-	-
Investment income (Note 22)	83,284	62,378	365,736	511,398
Gross contributions (Note 20)	-	1,108,653	1,266,686	2,375,227
	658,214	1,171,031	1,632,422	2,886,625

20. NET EARNED CONTRIBUTION

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016			
(a) Gross contribution	1,181,642	1,184,225	2,365,754
Change in unearned contribution reserves	(1,547)	-	(1,547)
	1,180,095	1,184,225	2,364,207
(b) Contributions ceded to retakaful operators	(103,743)	(52,658)	(156,401)
Change in unearned contribution reserves	8,838	-	8,838
	(94,905)	(52,658)	(147,563)
Net earned contributions	1,085,190	1,131,567	2,216,644
2015			
(a) Gross contribution	1,108,653	1,266,686	2,375,227
Change in unearned contribution reserves	3,898	-	3,898
	1,112,551	1,266,686	2,379,125

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

20. NET EARNED CONTRIBUTION (CONT'D.)

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015 (cont'd.)			
(b) Contributions ceded to retakaful operators	(83,362)	(34,888)	(118,250)
Change in unearned contribution reserves	(13,673)	-	(13,673)
	(97,035)	(34,888)	(131,923)
Net earned contributions	1,015,516	1,231,798	2,247,202

21. FEE AND COMMISSION INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Wakalah fee income from:				
General takaful fund	351,836	-	-	-
Family takaful fund	260,006	-	-	-
Profit commission	-	-	2,337	2,337
Retakaful commission income	-	15,479	-	15,479
Others	-	421	161	582
	611,842	15,900	2,498	18,398
2015				
Wakalah fee income from:				
General takaful fund	290,360	-	-	-
Family takaful fund	284,570	-	-	-
Profit commission	-	-	3,952	3,952
Retakaful commission income	-	11,940	-	11,940
Others	-	498	127	625
	574,930	12,438	4,079	16,517

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

22. INVESTMENT INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
AFS financial assets:				
Profit income	88,897	59,289	96,882	245,068
Dividend/distribution income:				
Quoted equity securities in Malaysia	1,984	290	17,343	19,617
Quoted unit and property trusts funds in Malaysia	178	14	2,179	2,371
Financial assets at FVTPL:				
- Designated upon initial recognition				
Profit income	-	-	262,233	262,233
- HFT				
Profit income	-	-	720	720
Dividend income:				
Quoted equity securities in Malaysia	-	-	206	206
Quoted unit and property trusts funds outside Malaysia	-	-	1	1
- LAR:				
Profit income	10,471	11,059	30,627	52,157
Profit income from financing receivables	580	-	-	580
Net amortisation of premiums	(3,407)	(1,423)	(10,023)	(14,853)
Other investment income	16	28	135	179
Investment related expenses	(511)	(338)	(2,722)	(3,571)
	98,208	68,919	397,581	564,708

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

22. INVESTMENT INCOME (CONT'D.)

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

23. NET REALISED GAINS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Net realised gains/(losses) on disposal of:				
AFS financial assets				
Malaysian government papers	3,926	4,588	1,363	9,877
Equity securities	2,133	1,164	18,563	21,860
Debt securities	10,733	7,672	4,160	22,565
Unit and property trust funds	-	3	-	3
	16,792	13,427	24,086	54,305
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	-	2,816	2,816
Debt securities	-	-	11,390	11,390
	-	-	14,206	14,206
- HFT				
Malaysian government papers	-	-	192	192
Equity securities	-	-	155	155
Debt securities	-	-	472	472
	-	-	819	819
Total net realised gains	16,792	13,427	39,111	69,330

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

23. NET REALISED GAINS (CONT'D.)

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

24. NET FAIR VALUE GAINS/(LOSSES)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Financial assets at FVTPL:				
- Designated upon initial recognition	-	-	48,718	48,718
- HFT	-	(369)	(92)	(461)
	-	(369)	48,626	48,257
2015				
Financial assets at FVTPL:				
- Designated upon initial recognition	-	-	(23,260)	(23,260)
- HFT	-	729	281	1,010
	-	729	(22,979)	(22,250)

25. OTHER OPERATING (EXPENSES)/INCOME, NET

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Other income				
Surrender charges	28	-	-	28
Reversal of impairment losses on:				
- Financing receivables	3	-	1	4
- Takaful receivables	-	8,153	1,131	9,284
- Retakaful assets	-	2,540	-	2,540
- Other receivables	57	32	-	89
Processing fee income	35	-	-	35
Gain on foreign exchange:				
- realised	4	-	5	9
- unrealised	-	-	6	6
Sundry income	916	2,929	5	3,850
	1,043	13,654	1,148	15,845

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Other expenses				
Allowance for impairment losses on:				
- Investments	(1,427)	(236)	(16,415)	(18,078)
Loss on foreign exchange:				
- realised	-	(10)	-	(10)
Sundry expenditure	(15)	(179)	-	(194)
	(1,442)	(425)	(16,415)	(18,282)
	(399)	13,229	(15,267)	(2,437)
2015				
Other income				
Surrender charges	70	-	-	70
Reversal of impairment losses on:				
- Financing receivables	69	-	2	71
- Takaful receivables	-	-	2,462	2,462
- Retakaful assets	-	2,335	-	2,335
- Other receivables	712	-	-	712
Processing fee income	3	-	-	3
Sundry income	349	727	7	1,083
	1,203	3,062	2,471	6,736
Other expenses				
Allowance for impairment losses on:				
- Investments	(20,660)	(1,883)	(137,496)	(160,039)
- Takaful receivables	-	(3,740)	-	(3,740)
- Other receivables	-	-	(44)	(44)
Sundry expenditure	(7)	-	-	(7)
	(20,667)	(5,623)	(137,540)	(163,830)
	(19,464)	(2,561)	(135,069)	(157,094)

26. NET BENEFITS AND CLAIMS

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016			
Gross benefits and claims paid	(610,410)	(734,578)	(1,344,988)
Claims ceded to retakaful	29,524	24,595	54,119
Gross change in certificate liabilities	(52,274)	(203,153)	(725,989)
Change in certificate liabilities ceded to retakaful	29,935	13,546	43,481
	(603,225)	(899,590)	(1,973,377)
2015			
Gross benefits and claims paid	(587,445)	(679,804)	(1,267,249)
Claims ceded to retakaful	93,867	33,028	126,895
Gross change in certificate liabilities	(114,081)	(240,029)	(701,288)
Change in certificate liabilities ceded to retakaful	(40,368)	21,331	(19,037)
	(648,027)	(865,474)	(1,860,679)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

27. MANAGEMENT EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Employee benefits expenses (Note (a))	142,171	750	22,196	165,117
Directors' remuneration (Note 28)	1,071	-	-	1,071
Shariah Committee remuneration (Note 29)	222	-	-	222
Auditors' remuneration:				
- statutory audits	381	6	166	553
- regulatory services	24	-	11	35
- other services	15	-	7	22
Depreciation of property, plant and equipment (Note 3)	401	-	-	401
Amortisation of intangible assets (Note 4)	710	-	-	710
Auto assist service	5,160	-	-	5,160
Assured medical fees	2,161	-	-	2,161
Bank and financing charges	13,189	1	1,904	15,094
Electronic data processing expenses	8,485	43	825	9,353
Entertainment expenses	449	3	16	468
Goods and services tax	3,106	17	477	3,600
Interest expenses	402	-	-	402
Legal fees	729	-	22	751
Maybank shared services-IT	8,855	67	1,286	10,208
Office facilities expenses	3,211	19	345	3,462
Other management fees	335	1	17	353
Postage and stamp duties	2,692	-	8	2,700
Printing and stationery	4,320	1	86	4,407
Professional fees	2,053	4	146	2,203
Promotional and marketing costs	35,512	34	12	35,558
Rental of offices/premises	10,027	49	1,389	11,465
Training expenses	1,463	5	85	1,553
Travelling expenses	1,441	7	66	1,514
Utilities, assessment and maintenance	1,444	6	91	1,541
Other expenses	29,953	18	979	30,950
	279,982	1,031	30,134	311,034

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

27. MANAGEMENT EXPENSES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
Employee benefits expenses (Note (a))	125,470	652	23,225	149,347
Directors' remuneration (Note 28)	1,421	-	-	1,421
Shariah Committee remuneration (Note 29)	220	-	-	220
Auditors' remuneration:				
- statutory audits	377	5	164	546
- regulatory services	24	-	11	35
- other services	15	-	7	22
Depreciation of property, plant and equipment (Note 3)	544	-	-	544
Amortisation of intangible assets (Note 4)	697	-	-	697
Auto assist service	6,801	-	-	6,801
Assured medical fees	2,380	-	-	2,380
Bank and financing charges	12,424	8	2,365	14,797
Electronic data processing expenses	6,162	12	353	6,527
Entertainment expenses	500	3	31	534
Goods and services tax	6,523	15	153	6,691
Interest expenses	-	11	-	11
Legal fees	1,633	3	148	1,784
Maybank Shared Service-IT	9,075	11	212	9,298
Office facilities expenses	304	1	11	204
Other management fees	350	1	22	373
Postage and stamp duties	3,057	1	35	3,093
Printing and stationery	5,182	2	156	5,340
Professional fees	838	5	147	990
Promotional and marketing costs	26,249	26	19	26,294
Rental of offices/premises	10,018	50	1,674	11,742
Training expenses	2,628	12	245	2,885
Travelling expenses	1,486	7	91	1,584
Utilities, assessment and maintenance	2,389	8	186	2,583
Other expenses	17,534	31	2,063	19,628
	244,301	864	31,318	276,371

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
2016				
Wages, salaries and bonus	102,282	525	16,606	119,413
EPF	16,182	84	2,488	18,754
SOCSO	674	3	83	760
Share based compensation	1,176	9	152	1,337
Other benefits	21,857	129	2,867	24,853
	142,171	750	22,196	165,117
2015				
Wages, salaries and bonus	90,197	470	16,939	107,606
EPF	14,527	76	2,596	17,199
SOCSO	605	3	99	707
Share based compensation	1,575	13	328	1,916
Other benefits	18,566	90	3,263	21,919
	125,470	652	23,225	149,347

(b) Included in employee benefits expenses is remuneration paid to the Chief Executive Office of the Company amounting to RM573,000 (2015: RM881,000) detailed as follows:

	2016 RM'000	2015 RM'000
Salaries	385	462
Bonus	38	222
EPF	74	117
Other emoluments	76	80
	573	881

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

28. DIRECTORS' FEES AND REMUNERATION

	Shareholder's fund RM'000	Company RM'000
2016		
Non executive directors:		
Fees	981	981
Other emoluments	90	90
	1,071	1,071
2015		
Non executive directors:		
Fees	1,344	1,344
Other emoluments	77	77
	1,421	1,421

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

	Salary RM'000	Benefits Fees RM'000	Other emoluments RM'000	Total RM'000
2016				
Non-executive directors:				
Datuk R. Karunakaran (Chairman)	-	132	9	141
Philippe Pol Arthur Latour (Vice Chairman)	-	58	5	63
Loh Lee Soon	-	116	10	126
Frank J.G. Van Kempen	-	129	14	143
Koh Heng Kong	-	129	16	145
Zainal Abidin Jamal	-	131	15	146
Dato’ Mohamed Rafique Merican Bin Mohd Wahiduddin Merican	-	68	6	74
Dr Ismail Mohd @ Abu Hassan	-	116	10	126
Dato' Mohd Salleh Hj Harun	-	26	1	27
Gary Lee Crist	-	57	3	60
Dato' Johan Ariffin	-	19	1	20
	-	981	90	1,071
2015				
Non-executive directors:				
Dato' Mohd Salleh Hj Harun	-	203	8	211
Gary Lee Crist	-	157	6	163
Dato' Johan Ariffin	-	157	7	164
Zainal Abidin Jamal	-	172	12	184
Loh Lee Soon	-	157	11	168
Frank J.G Van Kempen	-	170	12	182
Dr. Ismail Mohd @ Abu Hassan	-	158	8	166
Koh Heng Kong	-	170	13	183
	-	1,344	77	1,421

29. SHARIAH COMMITTEE'S REMUNERATION

	Shareholder's fund RM'000	Company RM'000
2016		
Fees	168	168
Other emoluments	54	54
	222	222
2015		
Fees	168	168
Other emoluments	52	52
	220	220

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

	Fees RM'000	Other emoluments RM'000	Total RM'000
2016			
Shariah committee:			
Dr. Ahcene Lahsasna	34	11	45
Dr. Ismail Bin Mohd @ Abu Hassan	33	10	43
Dr. Mohammad Deen Bin Mohd Napiah	33	11	44
Dr. Sarip Bin Adul	34	11	45
Ahmad Jailani Bin Abdul Ghani	34	11	45
	168	54	222
2015			
Shariah committee:			
Dr. Ahcene Lahsasna	34	9	43
Dr. Ismail Bin Mohd @ Abu Hassan	33	11	44
Dr. Mohammad Deen Bin Mohd Napiah	33	11	44
Dr. Sarip Bin Adul	34	10	44
Ahmad Jailani Bin Abdul Ghani	20	6	26
Tan Sri Dato’ Seri (Dr) Hj Harussani Bin Hj Zakaria	14	5	19
	168	52	220

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

30. CHANGE IN EXPENSE LIABILITIES

	2016 RM'000	2015 RM'000
Shareholder's fund/Company		
Increase in UWF of general takaful fund (Note 15)	19,614	18,379
Increase in UER of family takaful fund (Note 15)	36,443	54,410
	56,057	72,789

31. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Commission expenses	228,510	-	2,421	230,931
Wakalah fee expense	-	351,836	260,006	-
	228,510	351,836	262,427	230,931
2015				
Commission expenses	232,692	-	5,736	238,428
Wakalah fee expense	-	290,360	284,570	-
	232,692	290,360	290,306	238,428

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. INCOME TAX EXPENSE

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Malaysian income tax:				
Tax expense for the year	118,284	-	134	118,284
Overprovision of tax in prior years	(10,760)	(812)	(15,702)	(10,760)
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 16)	2,049	(4,316)	6,709	2,049
	109,573	(5,128)	(8,859)	109,573
2015				
Malaysian income tax:				
Tax expense for the year	74,666	-	10,096	74,666
Under/(over)provision of tax prior years	25,435	(10,895)	(40,353)	25,435
Deferred taxation:				
Relating to origination and reversal of temporary differences(Note 16)	(1,298)	790	5,246	(1,298)
	98,803	(10,105)	(25,011)	98,803

The domestic income tax for shareholder's and general takaful funds are calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

The income tax for family takaful funds are calculated on the statutory rate of 8% (2015: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. INCOME TAX EXPENSE (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:

	2016 RM'000	2015 RM'000
Company		
Profit/surplus before taxation	343,891	249,179
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	82,534	62,295
Income not subject to tax	(52,199)	(80,244)
Expenses not deductible for tax purposes	82,835	92,606
Tax on Qard repayment	8,804	-
Effect of zakat deduction	(1,641)	(1,289)
Under/(over) provision of tax in prior years	(10,760)	25,435
Tax expense for the year	109,573	98,803

33. EARNINGS PER SHARE

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

	2016	2015
Profit attributable to ordinary shareholder (RM'000)	230,862	142,320
Number of ordinary shares in issue ('000)	400,000	400,000
Basic and diluted earnings per share (sen)	57.72	35.58

There have been no other transactions involving ordinary shares between the reporting date and date of completion 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:

	2016 RM'000	2015 RM'000
Within 1 year	11,003	11,115
After 1 year but not more than 5 years	38,924	38,791
	49,927	49,906

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

35. OTHER COMMITMENTS AND CONTINGENCIES

	2016 RM'000	2015 RM'000
Shareholder's fund		
Approved and contracted for:		
Intangible assets	-	-

36. SEGMENTAL INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
Net cash flow generated from/(used in):				
Operating activities	12,887	18,657	9,668	41,212
Investing activities	(1,129)	-	-	(1,129)
Financing activities	(13,597)	-	-	(13,597)
	(1,839)	18,657	9,668	26,486
Net (decrease)/increase in cash and cash equivalents:				
At 1 January	14,326	51,037	61,178	126,541
At 31 December	12,487	69,694	70,846	153,027
	(1,839)	18,657	9,668	26,486
2015				
Net cash flow generated from/(used in):				
Operating activities	7,141	1,464	11,380	19,985
Investing activities	(386)	-	-	(386)
Financing activities	(13,634)	-	-	(13,634)
	(6,879)	1,464	11,380	5,965
Net (decrease)/increase in in cash and cash equivalents:				
At 1 January	21,205	49,573	49,798	120,576
At 31 December	14,326	51,037	61,178	126,541
	(6,879)	1,464	11,380	5,965

37. SHARED BASED COMPENSATION

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

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

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

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

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

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

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

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

- consent of MBB's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and
- written consent of all participants of ESS who have yet to exercise their ESS options, either in part or in whole, and all participants whose RSU Agreement are still subsisting.

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

37. SHARED BASED COMPENSATION (CONT'D.)

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

(1) ESOS

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

(2) RSU

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

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

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

  On 10 August 2015, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS First Grant amounting to 34,951,500 options effective 30 September 2015. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the second tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be allotted under the sixth tranche prorated based on six months period.

37. SHARED BASED COMPENSATION (CONT'D.)

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

During the financial year ended 31 December 2016, the Bank granted 5,600 options and 3,000 options for appeal cases for fifth and sixth tranche of ESOS First Grant.

- 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 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 ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013. The third tranche of ESOS under ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014. The fourth tranche of ESOS under ESOS Second Grant amounting to 10,808,600 options have been vested and exercisable as at 30 April 2015. MBB also granted options for appeal cases for the first tranche and second tranche of ESOS Second Grant amounting to 1,300 and 3,100 respectively in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS Second Grant amounting to 9,424,800 options have been vested and exercisable as at 4 May 2016.

  On 30 September 2016, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS Second Grant amounting to 4,687,000 options effective 30 September 2016. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the first tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum to be alloted under the sixth tranche prorated based on six months period.

- On 30 April 2013, MBB granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Group ("ESOS Third Grant"). The first tranche of ESOS under 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 ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014. The third tranche of ESOS under ESOS Third Grant amounting to 9,197,600 options have been vested and exercisable as at 30 April 2015. The fourth tranche of ESOS under ESOS Third Grant amounting to 7,806,200 options have been vested and granted as at 3 May 2016, 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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

37. SHARED BASED COMPENSATION (CONT'D.)

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

- On 30 April 2014, MBB granted five (5) tranches of ESOS amounting to 54,027,800 options to confirmed new recruits in the Maybank Group ("ESOS Fourth Grant"). The first tranche of ESOS under ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014. The second tranche of ESOS under ESOS Fourth Grant amounting to 10,591,900 options have been vested and exercisable as at 30 April 2015. MBB also granted 100,000 options related to change of staff grade and 100 options for appeal cases for the first tranche of ESOS Fourth Grant in the previous financial year ended 31 December 2015. The third tranche of ESOS under ESOS Fourth Grant amounting to 9,018,700 options have been vested and exercisable as at 3 May 2016, 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 2015, MBB granted four (4) tranches of ESOS amounting to 48,170,100 options to confirmed new recruits in the Maybank Group ("ESOS Fifth Grant"). The first tranche of ESOS under ESOS Fifth Grant amounting to 11,439,300 options have been vested and exercisable as at 21 May 2015. The second tranche of ESOS under ESOS Fifth Grant amounting to 11,250,300 options have been vested and exercisable as at 3 May 2016, 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 September 2015, MBB granted three (3) tranches of ESOS amounting to 992,400 options to confirmed new recruits in the Maybank Group ("ESOS Special Grant"). The first tranche of ESOS under ESOS Special Grant amounting to 309,400 options have been vested and exercisable as at 21 October 2015. The second tranche of ESOS under ESOS Special Grant amounting to 215,500 options have been vested and exercisable as at 3 May 2016, 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.

37. SHARED BASED COMPENSATION (CONT'D.)

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

- 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.

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

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

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

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

- The ESS Committee may, from time to time during the ESS period, make further RSU 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 two (2) to three (3) years cliff vesting schedule.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. SIGNIFICANT 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 Directors and Chief Executive Officer of the Company.

The Company has related party relationships with its shareholders, subsidiaries, associates, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholders.

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):				
2016				
Ultimate holding company:				
Gross takaful contribution income	-	-	6,394	6,394
Commission and fee expenses	(63,567)	(308)	(2,202)	(66,077)
Claims paid	-	-	(4,130)	(4,130)
Holding company:				
Gross takaful contribution income	-	-	4	4
Shared service costs	(4,846)	-	-	(4,846)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. SIGNIFICANT 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):				
2016				
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution income	-	-	597	597
Rental expense	(8,278)	(47)	(1,336)	(9,661)
Shared service costs	(55,813)	-	-	(55,813)
Claims paid	-	-	(17)	(17)
Other related companies within the MBB Group:				
Profit income on deposits	2,955	5,549	13,106	21,610
Gross takaful contribution income	-	1,465	2,021	3,486
Maybank shared service IT expenses	(8,855)	(67)	(1,286)	(10,208)
Commission and fee expenses	(47)	(11)	(702)	(760)
Other expenses	(54)	-	-	(54)
Claims paid	-	-	(282)	(282)
Shareholders of MAHB:				
Reimbursement of expenses	(2,216)	-	-	(2,216)
Other expenses	(662)	-	-	(662)
Companies related to a company with significant influence over the MBB Group:				
Gross takaful contribution income	-	6,858	3,657	10,515
Claims paid	-	(523)	(2,681)	(3,204)
Profit on subordinated obligation	(3,626)	-	-	(3,626)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

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

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Income/(expenses):				
2015				
Ultimate holding company:				
Gross takaful contribution income	-	1	5,655	5,656
Commission and fee expenses	(53,197)	(304)	(2,124)	(55,625)
Holding company:				
Gross takaful contribution income	-	-	14	14
Shared service costs	(4,444)	-	-	(4,444)
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution income	-	-	601	601
Rental expense	(8,591)	(43)	(1,525)	(10,159)
Shared service costs	(51,082)	-	-	(51,082)
Other related companies within the MBB Group:				
Profit income on deposits	1,336	3,234	8,031	12,601
Gross takaful contribution income	-	1,697	1,888	3,585
Maybank shared service IT expenses	(9,075)	(11)	(212)	(9,298)
Commission and fee expenses	(9,896)	-	-	(9,896)
Other expenses	(50)	-	-	(50)

38. SIGNIFICANT 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):				
Companies related to a company with significant influence over the MBB Group:				
Gross takaful contribution income	-	7,892	1,276	9,168
Claims paid	-	-	(518)	(518)
Profit on subordinated obligation	(3,616)	-	-	(3,616)

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

2016	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Ultimate holding company:				
Bank balances	12,427	55,367	50,324	118,118
Takaful payables	-	(15)	(241)	(256)
Other payables	(10,600)	(24)	(169)	(10,793)
Holding company:				
Other payables	(1,860)	-	-	(1,860)
Takaful receivables	-	-	44	44
Takaful payables	-	-	(2)	(2)
Other receivables	6,051	-	-	6,051
Other payables	(11,739)	-	-	(11,739)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. SIGNIFICANT 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.):

2016 (cont'd.)	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Other related companies within the MBB Group:				
Income and profit due and accrued	351	982	695	2,028
Islamic investment accounts	73,616	252,531	457,201	783,348
Islamic debt securities	-	39,874	19,937	59,811
Takaful receivables	-	70	223	293
Takaful payables	-	-	(4)	(4)
Other receivables	3,452	-	-	3,452
Other payables	(2,624)	-	-	(2,624)
Companies related to a company with significant influence over the MBB Group:				
Takaful receivables	-	38	34	72
Takaful payables	-	(585)	(13)	(598)
Subordinated obligation	(80,317)	-	-	(80,317)
2015				
Ultimate holding company:				
Bank balances	14,255	42,914	50,332	107,501
Islamic investment accounts	-	9,848	9,848	19,696
Takaful payables	-	(1,788)	(2,665)	(4,453)
Other payables	(3,382)	(55)	(347)	(3,784)
Holding company:				
Other payables	(974)	-	-	(974)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

38. SIGNIFICANT 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.):

2015 (cont'd.)	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Fellow subsidiaries within the MAHB Group:				
Takaful receivables	-	-	16	16
Takaful payables	-	-	(2)	(2)
Other payables	(2,353)	-	-	(2,353)
Other related companies within the MBB Group:				
Income and profit due and accrued	161	681	2,413	3,255
Islamic investment accounts	76,071	30,708	387,383	494,162
Islamic debt securities	-	40,071	20,036	60,107
Structured products	-	19,128	48,311	67,439
Takaful receivables	-	65	131	196
Takaful payables	-	-	(5)	(5)
Other payables	(7,469)	-	-	(7,469)
Companies related to a company with significant influence over the MBB Group:				
Takaful receivables	-	151	275	426
Takaful payables	-	(554)	(295)	(849)
Subordinated obligation	(80,317)	-	-	(80,317)

38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

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

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

	2016 RM'000	2015 RM'000
Short-term employee benefits		
Fees	981	1,344
Salaries and bonuses	423	684
EPF	74	117
Other emoluments	166	157
	1,644	2,302

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

	2016	2015
At 1 January	190,000	130,000
Granted	15,000	60,000
Expired	(20,000)	
Resignation of key management personnel	(185,000)	-
At 31 December	-	190,000

(c) The movement in RSU of key management personnel is as follows:

Granted during the financial year:		
- RSU Fifth Grant	-	15,000

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. INTEGRATED RISK MANAGEMENT FRAMEWORK

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

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

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

Principles

The approach to risk management is premised on the following seven (7) broad principles:
- Established Risk Appetite and Strategy
- Assign Adequate Capital
- Ensure Governance and Oversight Function
- Promote Strong Risk Culture
- Establish Adequate Risk Framework and Policies
- Establish Risk Management Practices and Processes
- Ensure Sufficient Resources and System Infrastructures

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 of Directors ('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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Appetite and Strategy (cont'd.)

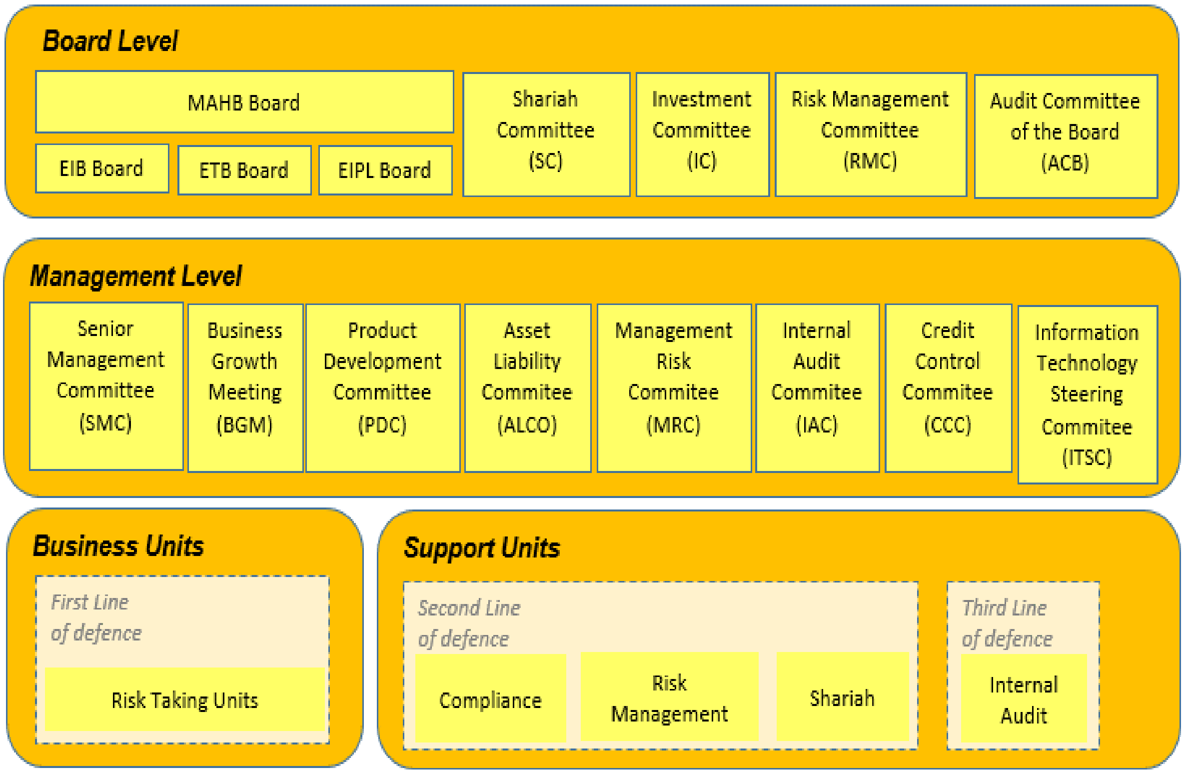
Developing and setting the risk appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the risk appetite to ensure that the projected revenues arising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

Governance and Risk Oversight

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

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

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



39. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)

Governance and Risk Oversight (cont'd.)

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

Board

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

Shariah Committee (SC)

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

Risk Management Committee (RMC)

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

Investment Committee (IC)

The role of the IC is to provide an oversight function for investment related activities.

Audit Committee of the Board (ACB)

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

Senior Management Committee (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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)

Management Risk Committee (MRC)

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

Asset Liability Committee (ALCO)

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

Internal Audit Committee (IAC)

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

Business Growth Committee (BGM)

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

Product Development Committee (PDC)

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

Credit Control Committee (CCC)

CCC ensures compliance with all the regulations and guidelines pertaining to collection and outstanding contribution, monitor and control outstanding collections efficiently, minimises bad and doubtful debts by implementing preventive measures, and initiate legal proceeding for recovery of bad and doubtful debts when all other methods fail.

Risk Culture

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

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

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Culture (cont'd.)

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

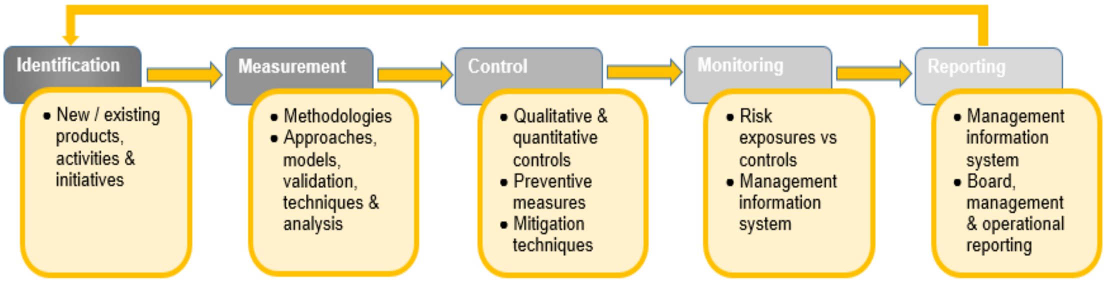
In line with the evolving market environment and dynamics within the Group and the Company and across industries, a strong risk culture requires constant attention to ensure that material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

Risk Management Practices and Processes

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

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

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



Resource and System Infrastructure

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

Resources

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

39. INTEGRATED RISK MANAGEMENT FRAMEWORK (CONT'D.)

Resources (cont'd.)

The personnel within risk management department should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the Group's business activities.

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

System Infrastructure

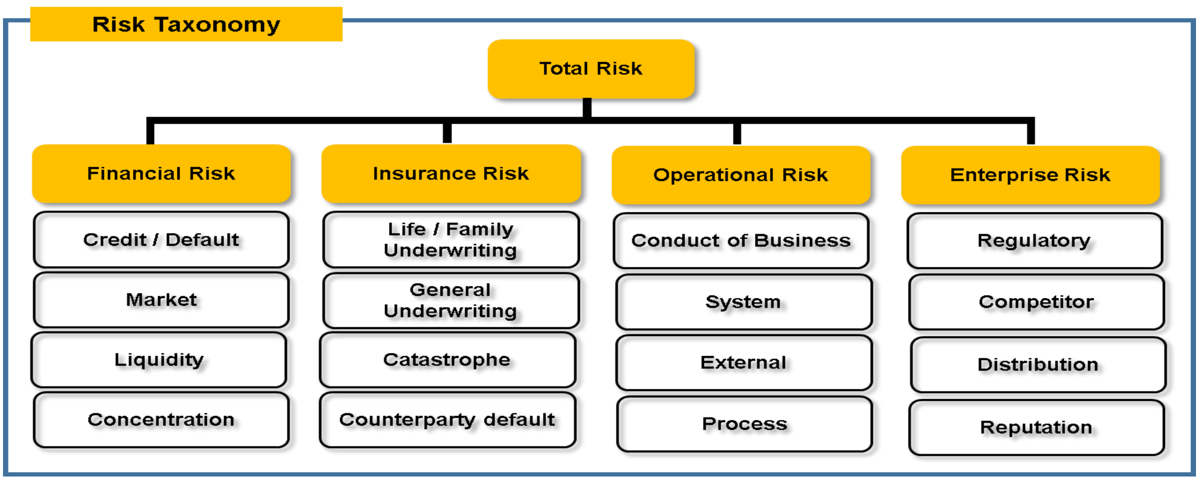
With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system infrastructure to support an enterprise-wide or consolidated view of risks. The system infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

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

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

RISK TAXONOMY

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



40. TAKAFUL RISK

Takaful risk relates to the inherent risk associated in the underwriting activities of the Family and General Takaful businesses. Such risk includes pricing, reserving, underwriting, catastrophe and retakaful counterparty default. Analyses are performed to ensure that takaful risks are within the company's risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Retakaful offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial result and solvency. Risks associated with retakaful operators are the counterparty risk of retakaful operators failing to honour their obligations. The Company monitors the ability of all current and prospective retakaful operators to meet their obligations under exceptional but plausible adverse events on a monthly basis.

The Company has established appropriate policy and monitoring metrics 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:

	2016			2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,569,985	-	1,569,985	1,520,535	-	1,520,535
Mortgage	3,282,313	(40,319)	3,241,994	3,223,309	(26,241)	3,197,068
Term assurance	18,763	-	18,763	16,053	-	16,053
Annuity	756,932	-	756,932	785,456	-	785,456
Others	530,460	-	530,460	441,871	-	441,871
	6,158,453	(40,319)	6,118,134	5,987,224	(26,241)	5,960,983

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

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 used in determining the PRF liabiliites are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

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

Mortality and morbidity rates
Mortality and morbidity rates represent the expected claims experience of the Company. The Company determines mortality and morbidity rates using local established industry tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experience.

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

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

40. TAKAFUL RISK (CONT'D.)

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

(ii) Sensitivity analyses

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

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

2016	% 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	287,014	283,281	(44,522)	(44,522)
Mortality and morbidity rates	+10%	277,277	255,462	(46,545)	(46,545)
Lapse and surrender rates	-10%	15,113	15,920	(2,807)	(2,807)
Expenses	+10%	15,793	15,793	(3,420)	(3,420)

40. TAKAFUL RISK (CONT'D.)

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

(ii) Sensitivity analyses (cont'd.)

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

* excludes impact on profit rate assets
** the impact on net liabilities results in a corresponding, 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.

	2016			2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	875,242	(8,868)	866,374	874,107	(7,808)	866,299
Fire	148,418	(48,252)	100,166	113,913	(39,693)	74,220
Marine, Aviation, Cargo and Transit	18,009	(15,645)	2,364	19,079	(16,702)	2,377
Miscellaneous	139,973	(30,978)	108,995	101,554	(19,159)	82,395
	1,181,642	(103,743)	1,077,899	1,108,653	(83,362)	1,025,291

(i) Key assumptions and methods

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

40. TAKAFUL RISK (CONT'D.)

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

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

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

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

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

(ii) Sensitivity analyses

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

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

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
2016					
Incurred Claims Ratio	+ 5%	59,005	54,259	(54,259)	(41,237)
	- 5%	(59,005)	(54,259)	54,259	41,237
2015					
Incurred Claims Ratio	+ 5%	55,628	50,776	(50,776)	(38,082)
	- 5%	(55,628)	(50,776)	50,776	38,082

(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 2016:

	Before	As at 31 December							
	2010	2010	2011	2012	2013	2014	2015	2016	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		394,600	437,396	479,285	565,662	589,933	660,739	783,911	
1 year later		258,963	436,220	466,666	554,496	617,750	639,081		
2 years later		260,490	422,091	458,241	564,434	608,081			
3 years later		259,613	435,791	463,180	569,810				
4 years later		260,780	435,672	459,482					
5 years later		261,143	435,987						
6 years later		254,522							
Estimate of gross cumulative claims to date (A)		254,522	435,987	459,482	569,810	608,081	639,081	783,911	

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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 2016: (cont'd.)

	Before	As at 31 December							
	2010	2010	2011	2012	2013	2014	2015	2016	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		94,507	131,482	187,973	238,771	231,130	264,533	310,865	
1 year later		191,698	269,769	366,008	405,337	470,575	461,390		
2 years later		226,315	376,785	413,088	463,144	532,800			
3 years later		242,215	391,811	432,662	488,313				
4 years later		246,636	396,008	440,634					
5 years later		247,668	400,990						
6 years later		248,735							
Gross cumulative claims paid to date (B)		248,735	400,990	440,634	488,313	532,800	461,390	310,865	
Best estimate gross claim liabilities (A) - (B)	8,995	5,787	34,997	18,848	81,497	75,281	177,691	473,046	876,142
PRAD (C)									102,067
Gross takaful claim liabilities as at 31 December 2016 (A) - (B) + (C)									978,209

40. TAKAFUL RISK (CONT'D.)

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

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

Net analysis of claims development for 2016:

Accident year	Before 2010 RM'000	As at 31 December 2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year		342,237	325,123	456,465	506,657	532,858	630,670	708,666	
1 year later		227,980	336,639	447,504	477,414	506,414	610,264		
2 years later		227,866	332,456	441,755	486,131	496,700			
3 years later		225,160	338,513	446,237	488,639				
4 years later		225,395	340,270	442,678					
5 years later		226,474	336,354						
6 years later		225,793							
Estimate of net cumulative claims to date (A)		225,793	336,354	442,678	488,639	496,700	610,264	708,666	

40. TAKAFUL RISK (CONT'D.)

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

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

Net analysis of claims development for 2016: (cont'd.)

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
		As at 31 December							
At the end of accident year		91,793	130,642	186,608	235,297	227,238	259,797	307,415	
1 year later		171,337	266,182	356,576	383,436	386,400	449,210		
2 years later		204,893	307,058	399,389	433,014	435,687			
3 years later		216,241	321,595	417,899	456,352				
4 years later		219,629	325,611	425,427					
5 years later		220,626	327,836						
6 years later		221,672							
Net cumulative claims paid to date (B)		221,672	327,836	425,427	456,352	435,687	449,210	307,415	
Best estimate net claim liabilities (A) - (B)	6,068	4,121	8,518	17,251	32,287	61,013	161,054	401,251	691,563
PRAD (C)									71,132
Net takaful claim liabilities as at 31 December 2016 (A) - (B) + (C)									762,695

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

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

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

Gross analysis of claims development for 2015:

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

40. TAKAFUL RISK (CONT'D.)

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

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

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

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

40. TAKAFUL RISK (CONT'D.)

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

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

Net analysis of claims development for 2015:

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

40. TAKAFUL RISK (CONT'D.)

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

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

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

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

41. FINANCIAL RISKS

(i) Credit Risk

Credit risk refers to risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, underwriting, trading and investment activities from both on- and off-balance sheet transactions, if any.

Credit or spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of these instruments. Changes in the level or in the volatility of both spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit risk arises when a borrower or counterparty is no longer able to pay their debt. The Company's exposure to credit risk arises mainly from fixed income investment activities.

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

(a) The Risk Management and Investment Management Department, actively aim to prevent undue concentration by ensuring its credit portfolio is 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's credit quality and aligned to the risk appetite; and

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

Credit exposure

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2016				
AFS financial investments:				
Malaysian government papers	306,503	355,813	48,537	710,853
Unquoted debt securities in Malaysia	1,834,341	1,021,666	1,964,734	4,820,741
NICD	-	-	18,954	18,954
Financial investments at FVTPL:				
- Designated upon initial recognition				
Malaysian government papers	-	-	179,283	179,283
Unquoted debt securities in Malaysia	-	-	5,393,141	5,393,141
NICD	-	-	104,228	104,228
- HFT				
Malaysian government papers	-	-	7,171	7,171
Unquoted debt securities in Malaysia	-	-	10,692	10,692
- LAR:				
Deposits and placements with financial institutions	139,319	370,083	582,233	1,091,635
Financing receivables	17,371	-	-	17,371
Retakaful assets	-	215,514	49,675	265,189
Takaful receivables	-	65,101	84,996	150,097
Other receivables	292,193	15,260	100,923	140,278
Cash and bank balances	12,487	69,694	70,846	153,027
	2,602,214	2,113,131	8,615,413	13,062,660

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
2015				
AFS financial investments:				
Malaysian government papers	117,241	518,895	155,779	791,915
Unquoted debt securities in Malaysia	1,552,619	930,258	1,647,865	4,130,742
Structured products	-	19,128	-	19,128
NICD	-	9,848	18,244	28,092
Financial investments at FVTPL:				
- Designated upon initial recognition				
Malaysian government papers	-	-	244,701	244,701
Unquoted debt securities in Malaysia	-	-	4,206,892	4,206,892
Structured products	-	-	48,311	48,311
NICD	-	-	110,175	110,175
- HFT				
Malaysian government papers	-	-	4,192	4,192
Unquoted debt securities in Malaysia	-	-	10,417	10,417
- LAR:				
Deposits and placements with financial institutions	232,166	100,194	1,067,874	1,400,234
Financing receivables	19,924	-	3,300	23,224
Retakaful assets	-	183,039	36,129	219,168
Takaful receivables	-	85,479	89,732	175,211
Other receivables	246,215	17,372	91,319	150,399
Cash and bank balances	14,326	51,037	61,178	126,541
	2,182,491	1,915,250	7,796,108	11,689,342

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating

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

Shareholder's fund

	Neither past-due nor impaired		Past-due or impaired	Not subject to credit risk	Total
	*A to AAA RM'000	*Not Rated RM'000	RM'000	RM'000	RM'000
2016					
AFS financial investments:					
Malaysian government papers	-	306,503	-	-	306,503
Unquoted debt securities in Malaysia	1,334,753	499,588	-	-	1,834,341
Quoted equity securities in Malaysia	-	-	-	107,597	107,597
Quoted unit and property trust funds in Malaysia	-	-	-	3,965	3,965
Investment-linked units	-	-	-	23,373	23,373
LAR:					
Deposits and placements with financial institutions	139,319	-	-	-	139,319
Financing receivables	-	15,113	2,258	-	17,371
Other receivables	15,634	276,559	-	-	292,193
Cash and bank balances	12,442	45	-	-	12,487
	1,502,148	1,097,808	2,258	134,935	2,737,149

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Shareholder's fund (cont'd.)

	Neither past-due nor impaired		Past-due or	Not subject to	
	*A to AAA	*Not Rated	impaired	credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2015					
AFS financial investments:					
Malaysian government papers	-	117,241	-	-	117,241
Unquoted debt securities in Malaysia	1,179,600	373,019	-	-	1,552,619
Quoted equity securities in Malaysia	-	-	-	108,538	108,538
Quoted unit and property trust funds in Malaysia	-	-	-	3,740	3,740
Investment-linked units	-	-	-	22,116	22,116
LAR:					
Deposits and placements with financial institutions	232,166	-	-	-	232,166
Financing receivables	-	18,331	1,593	-	19,924
Other receivables	12,707	233,508	-	-	246,215
Cash and bank balances	14,277	49	-	-	14,326
	1,438,750	742,148	1,593	134,394	2,316,885

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

General takaful fund

	Neither past-due nor impaired		Past-due or impaired	Not subject to credit risk	Total
	*A to AAA	*Not Rated			
	RM'000	RM'000	RM'000	RM'000	RM'000
2016					
AFS financial investments:					
Malaysian government papers	-	355,813	-	-	355,813
Unquoted debt securities in Malaysia	983,599	38,067	-	-	1,021,666
Quoted equity securities in Malaysia	-	-	-	12,795	12,795
Quoted unit and property trust funds in Malaysia	-	-	-	302	302
LAR:					
Deposits and placements with financial institutions	370,083	-	-	-	370,083
Retakaful assets	215,514	-	-	26,659	242,173
Takaful receivables ^^	-	46,868	18,233	-	65,101
Other receivables	10,292	4,968	-	-	15,260
Cash and bank balances	61,741	7,953	-	-	69,694
	1,641,229	453,669	18,233	39,756	2,152,887

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

General takaful fund (cont'd.)

	Neither past-due nor impaired		Past-due or	Not subject to	
	*A to AAA	*Not Rated	impaired	credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2015					
AFS financial investments:					
Malaysian government papers	-	518,895	-	-	518,895
Unquoted debt securities in Malaysia	898,038	32,220	-	-	930,258
Quoted equity securities in Malaysia	-	-	-	17,921	17,921
Quoted unit and property trust funds in Malaysia	-	-	-	331	331
Structured products	19,128	-	-	-	19,128
NICD	9,848	-	-	-	9,848
LAR:					
Deposits and placements with financial institutions	100,194	-	-	-	100,194
Retakaful assets	183,039	-	-	17,821	200,860
Takaful receivables ^^	-	49,175	36,304	-	85,479
Other receivables	8,883	8,489	-	-	17,372
Cash and bank balances	46,807	4,230	-	-	51,037
	1,265,937	613,009	36,304	36,073	1,951,323

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund

	Neither past-due nor impaired			Past-due or	Not subject to	
	*A to AAA	*Not Rated	Unit Linked	impaired	credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016						
AFS financial investments:						
Malaysian government papers	-	48,537	-	-	-	48,537
Unquoted debt securities in Malaysia	1,182,684	782,050	-		-	1,964,734
Quoted equity securities in Malaysia	-	-	-	-	859,172	859,172
Quoted unit and property trust funds in Malaysia	-	-	-	-	40,094	40,094
NICD	18,954	-	-	-	-	18,954
Financial investments at FVTPL:						
- Designated upon initial recognition						
Malaysian government papers	-	179,283	-	-	-	179,283
Unquoted debt securities in Malaysia	4,047,457	1,345,684	-	-	-	5,393,141
NICD	104,228	-	-	-	-	104,228

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund (cont'd.)

	Neither past-due nor impaired					
	*A to AAA RM'000	*Not Rated RM'000	Unit Linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2016 (cont'd.)						
- HFT						
Malaysian government papers	-	-	7,171	-	-	7,171
Unquoted debt securities in Malaysia	-	-	10,692	-	-	10,692
Quoted equity securities in Malaysia	-	-	-	-	9,978	9,978
Quoted unit and property trust funds outside Malaysia	-	-	-	-	226	226
LAR:						
Deposits and placements with financial institutions	579,738	-	2,495	-	-	582,233
Retakaful assets	49,675	-	-	-	-	49,675
Takaful receivables ^^	-	44,071	-	40,925	-	84,996
Other receivables	62,932	37,991	-	-	-	100,923
Cash and bank balances	70,002	796	48	-	-	70,846
	6,115,670	2,438,412	20,406	40,925	909,470	9,524,883

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund (cont'd.)

	Neither past-due nor impaired					
	*A to AAA RM'000	*Not Rated RM'000	Unit Linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2015						
AFS financial investments:						
Malaysian government papers	-	155,779	-	-	-	155,779
Unquoted debt securities in Malaysia	1,011,803	636,062	-	-	-	1,647,865
Quoted equity securities in Malaysia	-	-	-	-	1,132,572	1,132,572
Quoted unit and property trust funds in Malaysia	-	-	-	-	61,278	61,278
NICD	18,244	-	-	-	-	18,244
Financial investments at FVTPL:						
- Designated upon initial recognition						
Malaysian government papers	-	244,701	-	-	-	244,701
Unquoted debt securities in Malaysia	3,316,122	890,770	-	-	-	4,206,892
Structured product	48,311	-	-	-	-	48,311
NICD	110,175	-	-	-	-	110,175

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by rating (cont'd.)

Family takaful fund (cont'd.)

	Neither past-due nor impaired					
	*A to AAA RM'000	*Not Rated RM'000	Unit Linked RM'000	Past-due or impaired RM'000	Not subject to credit risk RM'000	Total RM'000
2015 (cont'd.)						
HFT financial investments:						
Malaysian government papers	-	-	4,192	-	-	4,192
Unquoted debt securities in Malaysia	-	-	10,417	-	-	10,417
Quoted equity securities in Malaysia	-	-	-	-	8,374	8,374
Quoted unit and property trust funds outside Malaysia	-	-	-	-	74	74
LAR:						
Deposits and placements with financial institutions	1,056,949	-	10,925	-	-	1,067,874
Financing receivables	-	-	-	3,300	-	3,300
Retakaful assets	36,129	-	-	-	-	36,129
Takaful receivables ^^	-	55,372	-	34,360	-	89,732
Other receivables	51,899	39,420	-	-	-	91,319
Cash and bank balances	58,770	584	1,816	-	8	61,178
	5,708,402	2,022,688	27,350	37,660	1,202,306	8,998,406

* Based on ratings assigned by external rating agencies including RAM and MARC.
^^ Takaful receivables from agents/insurers/reinsurers licensed under the IFSA 2013 are classified under the "not rated" category.

Financial investments such as Malaysian Government Papers and certain corporate debt securities are classified under "Not Rated " category as these investments are issued by government or guaranteed by government which were exempted from the need of getting rating from rating agencies.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

Shareholder's fund

31.12.2016	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	-	-	2,258	2,258	781	(781)	-	2,258
Other receivables	-	-	-	-	1,237	(1,237)	-	-
	-	-	2,258	2,258	2,018	(2,018)	-	2,258

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

General takaful fund

31.12.2016	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	7,404	6,257	4,572	18,233	7,077	(7,077)	-	18,233
	7,404	6,257	4,572	18,233	10,408	(10,408)	-	18,233

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

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit quality of Financial Assets

Family takaful fund

31.12.2016	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	-	-	-	-	11	(11)	-	-
Takaful receivables	11,473	12,827	16,625	40,925	2,080	(2,080)	-	40,925
Other receivables	-	-	-	-	510	(510)	-	-
	11,473	12,827	16,625	40,925	2,601	(2,601)	-	40,925

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account

Movements in allowance for impairment losses for financial assets are as follows:

Shareholder's fund

	Financing receivables (Note 6) RM'000	Other receivables (Note 9) RM'000	Total RM'000
2016			
Individual allowance			
At 1 January	784	1,294	2,078
Reversal of impairment losses during the year	(3)	(57)	(60)
At 31 December	781	1,237	2,018
Collective allowance			
At 1 January/31 December	-	-	-
2015			
Individual allowance			
At 1 January	853	2,006	2,859
Reversal of impairment losses during the year	(69)	(712)	(781)
At 31 December	784	1,294	2,078
Collective allowance			
At 1 January/31 December	-	-	-

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account (cont'd.)

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

General takaful fund

	Financing receivables (Note 6) RM'000	Retakaful assets (Note 7) RM'000	Takaful receivables (Note 8) RM'000	Other receivables (Note 9) RM'000	Total RM'000
2016					
Individual allowance					
At 1 January	3,331	2,540	7,098	32	13,001
(Reversal of)/allowance for impairment losses during the year	-	(2,540)	3,840	(32)	1,268
Write off	-	-	(5,284)		(5,284)
At 31 December	3,331	-	5,654	-	8,985
Collective allowance					
At 1 January	-	-	13,416	-	13,416
Reversal of impairment losses during the year	-	-	(11,993)	-	(11,993)
At 31 December	-	-	1,423	-	1,423
2015					
Individual allowance					
At 1 January	3,331	4,875	1,458	32	9,696
(Reversal of)/allowance for impairment losses during the year	-	(2,335)	6,348	-	4,013
Write off	-	-	(708)	-	(708)
At 31 December	3,331	2,540	7,098	32	13,001
Collective allowance					
At 1 January	-	-	16,024	-	16,024
Reversal of impairment losses during the year	-	-	(2,608)	-	(2,608)
At 31 December	-	-	13,416	-	13,416

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account (cont'd.)

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

Family takaful fund

	Financing receivables (Note 6) RM'000	Takaful receivables (Note 8) RM'000	Other receivables (Note 9) RM'000	Total RM'000
2016				
Individual allowance				
At 1 January	3,212	2,653	510	6,375
(Reversal of)/allowance for impairment losses during the year	(1)	(58)	-	(59)
Written off during the year	(3,200)	(952)	-	(4,152)
At 31 December	11	1,643	510	2,164
Collective allowance				
At 1 January	-	1,510	-	1,510
Allowance for impairment losses during the year	-	(1,073)	-	(1,073)
At 31 December	-	437	-	437
2015				
Individual allowance				
At 1 January	3,214	5,222	466	8,902
(Reversal of)/allowance for impairment losses during the year	(2)	(2,569)	44	(2,527)
At 31 December	3,212	2,653	510	6,375
Collective allowance				
At 1 January	-	1,403	-	1,403
Allowance for impairment losses during the year	-	107	-	107
At 31 December	-	1,510	-	1,510

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 92% as at 31 December 2016 (2015: 91%). The financing receivables include staff loans and non-staff loans which amounted to RM17.3 million as at 31 December 2016 (2015: RM19.9 million). These loans are collateralised in the form of charges over residential properties which are worth RM28.6 million (2015: RM28.5 million).

(ii) Liquidity Risk

Liquidity risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The objective of liquidity risk management is to have sufficient cash availability to meet policyholders' liabilities, such as surrenders, withdrawal, claims and the maturity benefits, and other contract holders without endangering the business financials due to constraints on liquidating assets.

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

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

Contribution liabilities, the retakaful share of contribution liabilities and expense liabilities relating to general takaful have been excluded form 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
2016						
Financial investments:						
AFS	2,275,779	103,465	932,168	2,378,926	134,935	3,549,494
LAR	139,319	139,319	-	-	-	139,319
Financing receivables	17,371	3,958	7,600	5,813	-	17,371
Other receivables	292,193	292,193	-	-	-	292,193
Cash and bank balances	12,487	12,487	-	-	-	12,487
Total assets	2,737,149	551,422	939,768	2,384,739	134,935	4,010,864
Subordinated obligation*	301,189	13,560	54,240	335,030	-	402,830
Expense liabilities**	390,775	80,986	101,605	529,536	-	712,127
Takaful payables	7,762	7,762	-	-	-	7,762
Other payables	135,939	135,939	-	-	-	135,939
Total liabilities	835,665	238,247	155,845	864,566	-	1,258,658

* Includes profit payable on subordinated obligation.
** Excluding expense liabilities relating to general takaful fund.

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**
2015						
Financial investments:						
AFS	1,804,254	83,131	721,511	1,731,681	134,394	2,670,717
LAR	232,166	232,166	-	-	-	232,166
Financing receivables	19,924	3,671	8,775	7,478	-	19,924
Other receivables	246,215	246,215	-	-	-	246,215
Qard receivable	36,684	36,684	-	-	-	36,684
Cash and bank balances	14,326	14,326	-	-	-	14,326
Total assets	2,353,569	616,193	730,286	1,739,159	134,394	3,220,032
Subordinated obligation*	301,189	13,560	54,240	367,800	-	435,600
Expense liabilities**	354,332	56,064	98,900	534,289	-	689,253
Takaful payables	6,034	6,034	-	-	-	6,034
Other payables	65,406	65,406	-	-	-	65,406
Total liabilities	726,961	141,064	153,140	902,089	-	1,196,293

* Includes profit payable on subordinated obligation.
** Excluding expense liabilities relating to general takaful fund.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2016						
Financial investments:						
AFS	1,390,576	125,642	1,078,766	521,087	13,097	1,738,592
LAR	370,083	370,083	-	-	-	370,083
Retakaful assets	215,514	175,147	39,446	921	-	215,514
Takaful receivables	65,101	65,101	-	-	-	65,101
Other receivables	15,260	15,260	-	-	-	15,260
Cash and bank balances	69,694	69,694	-	-	-	69,694
Total assets	2,126,228	820,927	1,118,212	522,008	13,097	2,474,244
Participants' fund**	175,393	-	-	-	175,393	175,393
Takaful certificate liabilities*	978,209	687,250	285,407	5,552	-	978,209
Takaful payables	61,776	61,776	-	-	-	61,776
Other payables	386,735	386,735	-	-	-	386,735
Total liabilities	1,602,113	1,135,761	285,407	5,552	175,393	1,602,113

* Excluding contribution 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 (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
2015						
Financial investments:						
AFS	1,498,879	92,750	799,688	1,140,978	18,252	2,051,668
LAR	100,194	100,194	-	-	-	100,194
Retakaful assets	183,039	176,399	9,094	86	-	185,579
Takaful receivables	85,479	85,479	-	-	-	85,479
Other receivables	17,372	17,372	-	-	-	17,372
Cash and bank balances	51,037	51,037	-	-	-	51,037
Total assets	1,936,000	523,231	808,782	1,141,064	18,252	2,491,329
Participants' fund**	146,002	-	-	-	146,002	146,002
Takaful certificate liabilities*	925,935	696,464	225,195	4,276	-	925,935
Takaful payables	41,729	41,729	-	-	-	41,729
Other payables	296,516	296,516	-	-	-	296,516
Total liabilities	1,410,182	1,034,709	225,195	4,276	146,002	1,410,182

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

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Family takaful fund	**Carrying value RM'000**	**Up to a year RM'000**	**1 - 5 years RM'000**	**> 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
2016						
Financial investments:						
AFS	2,931,491	111,023	703,779	2,650,566	899,266	4,364,634
FVTPL	5,704,719	445,725	2,389,658	6,413,705	10,204	9,259,292
LAR	582,233	582,232	-	-	-	582,232
Retakaful assets	49,675	13,177	13,273	46,217	-	72,667
Takaful receivables	84,996	84,996	-	-	-	84,996
Other receivables	100,923	100,923	-	-	-	100,923
Cash and bank balances	70,846	70,846	-	-	-	70,846
Total assets	9,524,883	1,408,922	3,106,710	9,110,488	909,470	14,535,590
Participants' fund	2,824,275	75,582	-	2,748,693		2,824,275
Takaful certificate liabilities	6,341,039	3,016,541	1,404,377	3,870,533	30,583	8,322,034
Takaful payables	38,213	38,213	-	-	-	38,213
Other payables	341,124	341,124	-	-	-	341,124
Total liabilities	9,544,651	3,471,460	1,404,377	6,619,226	30,583	11,525,646

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Family takaful 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**
2015						
Financial investments:						
AFS	3,015,738	147,584	647,389	2,153,992	1,193,850	4,142,815
FVTPL	4,633,136	398,031	2,050,023	4,598,853	8,448	7,055,355
LAR	1,067,874	1,067,875	-	-	-	1,067,875
Financing receivables	3,300	3,300	-	-	-	3,300
Retakaful assets	36,129	15,275	8,589	30,705	-	54,569
Takaful receivables	89,732	89,732	-	-	-	89,732
Other receivables	91,319	91,319	-	-	-	91,319
Cash and bank balances	61,178	61,178	-	-	-	61,178
Total assets	8,998,406	1,874,294	2,706,001	6,783,550	1,202,298	12,566,143
Participants' fund	2,521,759	49,738	-	2,472,021	-	2,521,759
Takaful certificate liabilities	6,135,081	2,999,854	1,357,822	3,834,840	26,351	8,218,867
Qard payable	36,684	36,684	-	-	-	36,684
Takaful payables	39,364	39,364	-	-	-	39,364
Other payables	291,127	291,127	-	-	-	291,127
Total liabilities	9,024,015	3,416,767	1,357,822	6,306,860	26,351	11,107,801

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk

Market risk is the risk of loss or of adverse change in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market risk comprises of three (3)

(a) foreign exchange rates (currency risk);
(b) market profit yields (profit rate risk); and
(c) equity price risk.

The Company has three main 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 regulatory requirements in respect of the 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 investment-linked investment certificates with a number of products. In the investment-linked business, the participants bear the investment risk on the assets held in the investment-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 have on the investment-linked funds.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Profit yield risks arise from exposures to profit rate 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 of the Company.

The Company measures and manages profit rate risk mainly 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.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

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

		2016		2015	
Funds	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Share-holders	+100 basis points	-	(132,212)	-	(99,482)
	-100 basis points	-	132,212	-	99,482
General takaful	+100 basis points	-	(21,086)	-	(29,959)
	-100 basis points	-	21,086	-	29,959
Family takaful	+100 basis points	(115,546)	(107,573)	(71,766)	(67,604)
	-100 basis points	115,546	107,573	71,766	67,604

* Impact on equity is after tax of 24% (2015: 25%) for general and shareholder's fund and 8% for family takaful fund.

(c) Equity Price Risk

Equity price risk is the risk that the fair value 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 principally comprise all investment securities other than those held in the investment-linked funds.

The Company’s 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, and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may incur over time.

41. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

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

Market Indices - Bursa Malaysia

Funds	Changes in variables	2016 Impact on equity* RM'000	2015 Impact on equity* RM'000
Shareholders	+10%	10,255	10,082
	-10%	(10,255)	(10,082)
General takaful	+10%	448	616
	-10%	(448)	(616)
Family takaful	+10%	14,953	14,756
	-10%	(14,953)	(14,756)

* Impact on equity is after tax of 24% (2015: 25%) for general and shareholder's fund and 8% for family takaful fund.

(iv) Concentration Risk

Concentration risk refers to the risk associated with the potential losses that are substantial enough to threaten the financial condition of the Company and its core operations causing material adverse impact to the earnings, capital or total assets.

This covers exposure to excessive concentration in any type of Market Risk, Credit Risk or Liquidity Risk. Concentration risk relates to non-diversified portfolios and arises due to high exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The Company's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, 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 risk.

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.

Some examples of operational incidents include:

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

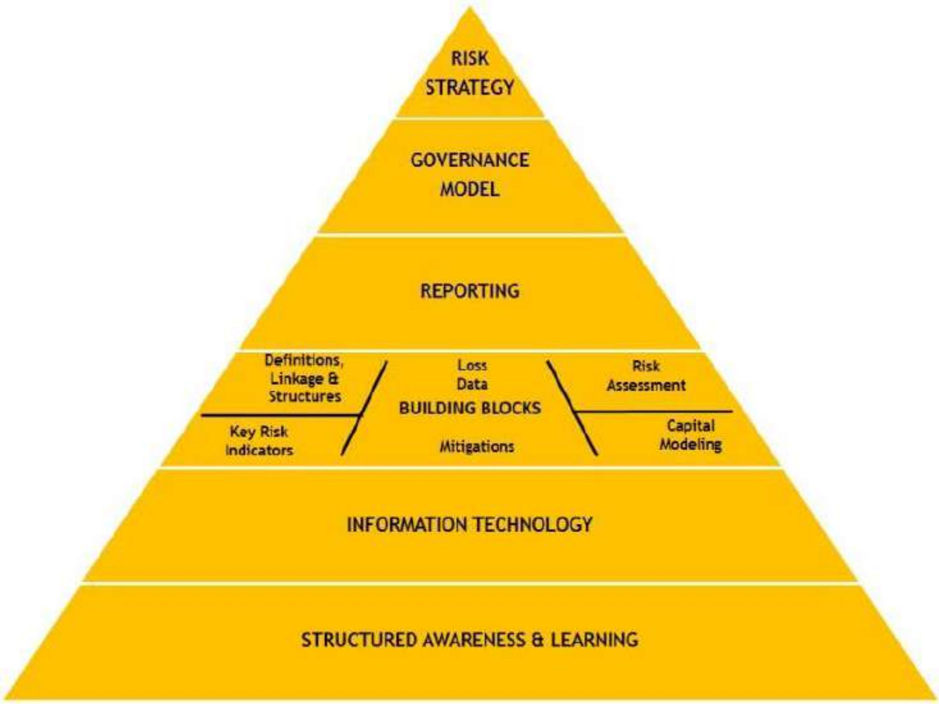
The table below outlines the definitions of the four (4) causal categories of operational risk:

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

42. OPERATIONAL RISK (CONT'D.)

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



Enterprise Risk

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

Shariah Non-Compliance Risk

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

43. FAIR VALUES MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
(e) Movements of Level 3 instruments; and
(f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Company has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, 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.

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

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

- Level 1 : Active Market – quoted price

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

43. FAIR VALUES MEASUREMENTS (CONT'D.)

(a) Valuation principles (cont'd.)

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

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

  Examples of Level 2 financial instruments include corporate and other government bonds, less liquid equities and OTC derivatives.

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

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

  Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

(b) Valuation techniques

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

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

(ii) Financing receivables

.

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

(iii) Takaful receivables and payables

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

(iv) Investments

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

43. FAIR VALUES MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value 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
2016				
Assets				
AFS financial investments				
Malaysian government papers	-	306,503	-	306,503
Unquoted debt securities in Malaysia	-	1,834,341	-	1,834,341
Quoted equity securities in Malaysia	107,597	-	-	107,597
Quoted unit and property trust funds in Malaysia	3,965	-	-	3,965
Investment-linked units	23,373	-	-	23,373
Total assets	134,935	2,140,844	-	2,275,779
2015				
Assets				
AFS financial investments				
Malaysian government papers	-	117,241	-	117,241
Unquoted debt securities in Malaysia	-	1,552,619	-	1,552,619
Quoted equity securities in Malaysia	108,538	-	-	108,538
Quoted unit and property trust funds in Malaysia	3,740	-	-	3,740
Investment-linked units	22,116	-	-	22,116
Total assets	134,394	1,669,860	-	1,804,254

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

43. FAIR VALUES MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

General takaful fund

	Valuation techniques using: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	Total RM'000
2016				
Assets				
AFS financial investments				
Malaysian government papers	-	355,813	-	355,813
Unquoted debt securities in Malaysia	-	1,017,376	4,290	1,021,666
Quoted equity securities in Malaysia	12,795	-	-	12,795
Quoted unit and property trust funds in Malaysia	302	-	-	302
Total assets	13,097	1,373,189	4,290	1,390,576
2015				
Assets				
AFS financial investments				
Malaysian government papers	-	518,895	-	518,895
Unquoted debt securities in Malaysia	-	925,935	4,323	930,258
Quoted equity securities in Malaysia	17,921	-	-	17,921
Quoted unit and property trust funds in Malaysia	331	-	-	331
Structured products	-	19,128	-	19,128
NICD	-	9,848	-	9,848
Total assets	18,252	1,473,806	4,323	1,496,381

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

43. FAIR VALUES MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

Family takaful fund

	Valuation techniques using: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	Total RM'000
2016				
Assets				
AFS financial investments				
Malaysian government papers	-	48,537	-	48,537
Unquoted debt securities in Malaysia	-	1,932,922	31,812	1,964,734
Quoted equity securities in Malaysia	859,172	-	-	859,172
Quoted unit and property trust funds in Malaysia	40,094	-	-	40,094
NICD	-	18,954	-	18,954
Financial investments at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	179,283	-	179,283
Unquoted debt securities in Malaysia	-	5,374,228	18,913	5,393,141
NICD	-	104,228	-	104,228
- HFT				
Malaysian government papers	-	7,171	-	7,171
Unquoted debt securities in Malaysia	-	10,692	-	10,692
Quoted equity securities in Malaysia	9,978	-	-	9,978
Quoted unit and property trust funds outside Malaysia	226	-	-	226
	909,470	7,676,015	50,725	8,636,210

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

43. FAIR VALUES MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

Family takaful fund

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

43. FAIR VALUES MEASUREMENTS (CONT'D.)

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

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determine whether transfers have occurred between fair value hiarerchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2016.

(e) Movements of Level 3 instruments

	General Takaful Fund	Family Takaful Fund	
	Financial instruments measured at fair value	Financial instruments measured at fair value	
	AFS RM'000	AFS RM'000	Designated at FVTPL RM'000
As at 1 January 2016	4,323	32,064	19,063
Recognised in income statement:			
Realised gain	20	147	87
Fair value gain			100
Recognised in other comprehensive income as fair value gain:	23	167	-
Disposals	(76)	(566)	(337)
As at 31 December 2016	4,290	31,812	18,913
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	20	147	187
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	23	167	-

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

43. FAIR VALUES MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

	AFS RM'000	AFS RM'000	Designated at FVTPL RM'000
As at 1 January 2015	-	-	-
Recognised in income statement:			
Realised loss	(13)	(94)	(56)
Fair value gain	-	-	590
Recognised in other comprehensive income as fair value gain:	134	993	-
Disposals	(65)	(480)	(286)
Transfer into Level 3 from Level 2	4,267	31,645	18,815
As at 31 December 2015	4,323	32,064	19,063
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	(13)	(94)	534
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	134	993	-

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

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

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

44. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2016, as prescribed under the RBCT Framework, is provided below:

Company

	31.12.2016 RM'000	31.12.2015 RM'000
Eligible Tier 1 Capital		
Paid up share capital	400,000	400,000
Valuation surplus in takaful funds	2,914,229	2,633,951
Retained earnings	1,393,143	1,162,281
	4,707,372	4,196,232
Tier 2 Capital		
Available-for-sale reserves	(29,609)	(36,047)
Subordinated obligation	300,000	300,000
	270,391	263,953
Amount deducted from capital	(25,133)	(68,938)
Total Capital Available	4,952,630	4,391,247

45. COMPARATIVE FIGURES

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