



**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(266243-D)**  
**(Incorporated in Malaysia)**

**Unaudited Condensed Interim Financial Statements**  
**For the six months period ended 30 June 2018**

**266243-D**

**ETIQA FAMILY TAKAFUL BERHAD  
(Formerly known as Etiqa Takaful Berhad)  
(Incorporated in Malaysia)**

<b>CONTENTS</b>	<b>PAGE</b>
Unaudited Condensed Interim Statement of Financial Position	1
Unaudited Condensed Interim Income Statement	2
Unaudited Condensed Interim Statement of Comprehensive Income	3
Unaudited Condensed Interim Statement of Changes in Equity	4
Unaudited Condensed Interim Statement of Cash Flows	5 - 6
Notes to the Unaudited Condensed Interim Financial Statements	7 - 38

266243-D

**ETIQA FAMILY TAKAFUL BERHAD**  
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**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Note	30.6.2018			31.12.2017			
		Shareholder's 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
<b>ASSETS</b>								
Property, plant and equipment		774	-	774	495	-	-	495
Intangible assets		4,568	-	4,568	5,958	-	-	5,958
Investments	13	2,094,959	9,733,691	11,803,672	2,417,505	1,697,348	9,703,198	12,095,470
Financing receivables		17,132	-	17,132	17,197	-	-	17,197
Retakaful assets	14	-	63,915	63,915	-	262,168	79,085	79,085
Takaful receivables		-	121,129	121,129	-	100,620	78,672	78,672
Other receivables		63,517	298,161	351,078	273,148	15,897	260,183	427,383
Deferred tax assets		13,541	17,810	31,351	8,219	5,069	3,875	12,094
Current tax assets		29,296	20,213	49,509	-	3,883	20,230	20,230
Cash and bank balances		16,852	77,608	94,460	15,993	33,959	45,419	61,412
		2,240,639	10,332,527	12,537,588	2,738,515	-	10,190,662	12,797,996
Assets classified as held for sale		-	-	-	-	2,118,944	-	2,118,944
<b>Total assets</b>		<b>2,240,639</b>	<b>10,332,527</b>	<b>12,537,588</b>	<b>2,738,515</b>	<b>2,118,944</b>	<b>10,190,662</b>	<b>14,916,940</b>
<b>EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS</b>								
<b>Equity</b>								
Share capital		100,000	-	100,000	400,000	-	-	400,000
Reserves		1,400,427	-	1,396,449	1,362,155	-	-	1,357,922
<b>Total equity</b>		<b>1,500,427</b>	<b>-</b>	<b>1,496,449</b>	<b>1,762,155</b>	<b>-</b>	<b>-</b>	<b>1,757,922</b>
<b>Liabilities and Participants' Funds</b>								
Participants' funds	15	-	3,169,408	3,169,408	-	183,549	2,998,277	2,998,277
Takaful certificate liabilities	16	-	6,874,883	6,853,883	-	1,507,100	6,799,229	6,778,229
Subordinated obligation		300,000	-	300,000	300,000	-	-	300,000
Expense liabilities		364,113	-	364,113	517,710	-	-	517,710
Takaful payables		11,299	35,834	47,133	9,493	82,465	45,220	54,713
Other payables		63,611	252,402	305,413	130,253	345,830	347,936	372,241
Profit payable on subordinated obligation		1,189	-	1,189	1,189	-	-	1,189
Current tax liabilities		-	-	-	17,715	-	-	17,715
		740,212	10,332,527	11,041,139	976,360	-	10,190,662	11,040,074
Liabilities directly associated with assets classified as held for sale		-	-	-	-	2,118,944	-	2,118,944
<b>Total liabilities and participants' funds</b>		<b>740,212</b>	<b>10,332,527</b>	<b>11,041,139</b>	<b>976,360</b>	<b>2,118,944</b>	<b>10,190,662</b>	<b>13,159,018</b>
<b>Total equity, liabilities and participants' funds</b>		<b>2,240,639</b>	<b>10,332,527</b>	<b>12,537,588</b>	<b>2,738,515</b>	<b>2,118,944</b>	<b>10,190,662</b>	<b>14,916,940</b>

\* General takaful fund is a discontinued operation.

\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements.

266243-D

**ETIQA FAMILY TAKAFUL BERHAD**  
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**UNAUDITED CONDENSED INTERIM INCOME STATEMENT  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	1.1.2018 to 30.6.2018			1.1.2017 to 30.6.2017			
	Shareholder's 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
<b>Operating revenue</b>	<b>241,426</b>	<b>1,089,188</b>	<b>1,139,070</b>	<b>391,844</b>	<b>666,194</b>	<b>877,009</b>	<b>1,268,853</b>
Gross earned contributions	-	858,644	858,644	-	612,708	654,739	654,739
Earned contributions ceded to retakaful	-	(35,287)	(35,287)	-	(62,616)	(28,623)	(28,623)
<b>Net earned contributions</b>	<b>-</b>	<b>823,357</b>	<b>823,357</b>	<b>-</b>	<b>550,092</b>	<b>626,116</b>	<b>626,116</b>
Fee and commission income	191,544	182	182	336,867	11,348	2,766	2,766
Investment income	49,882	230,544	280,426	54,977	36,846	222,270	277,247
Net realised gains	(7,866)	(54,403)	(62,269)	17,236	3,077	86,091	103,327
Net fair value (losses)/gains	(23,536)	(109,891)	(133,173)	-	-	(14,102)	(14,102)
Other operating expenses	487	(736)	(249)	(1,272)	1,093	(4,209)	(5,481)
<b>Other revenue</b>	<b>210,511</b>	<b>65,696</b>	<b>84,917</b>	<b>407,808</b>	<b>52,364</b>	<b>292,816</b>	<b>363,757</b>
Gross benefits and claims paid	-	(424,230)	(424,230)	-	(382,381)	(390,411)	(390,411)
Claims ceded to retakaful	-	26,044	26,044	-	58,234	11,713	11,713
Gross change to certificate liabilities	-	(73,556)	(283,988)	-	(41,285)	(241,166)	(399,286)
Change in certificate liabilities ceded to retakaful	-	(15,170)	(15,170)	-	27,673	18,589	18,589
<b>Net benefits and claims</b>	<b>-</b>	<b>(486,912)</b>	<b>(697,344)</b>	<b>-</b>	<b>(337,759)</b>	<b>(601,275)</b>	<b>(759,395)</b>
Management expenses	(95,274)	(11,574)	(106,848)	(136,001)	-	(12,867)	(76,085)
Change in expense liabilities	15,681	-	15,681	(29,488)	-	-	(21,822)
Fee and commission expenses	(66,619)	(191,980)	(67,055)	(121,670)	(190,909)	(147,083)	(67,162)
Profit on subordinated obligation	(6,724)	-	(6,724)	(6,724)	-	-	(6,724)
Tax borne by participants	-	11,845	11,845	-	362	413	413
<b>Other expenses</b>	<b>(152,936)</b>	<b>(191,709)</b>	<b>(153,101)</b>	<b>(293,883)</b>	<b>(190,547)</b>	<b>(159,537)</b>	<b>(171,380)</b>
<b>Operating profit before surplus transfers</b>	<b>57,575</b>	<b>210,432</b>	<b>57,829</b>	<b>113,925</b>	<b>74,150</b>	<b>158,120</b>	<b>59,098</b>
Surplus transferred to participants' funds	-	(210,432)	-	-	(40,945)	(158,120)	-
Surplus attributable to shareholders	-	-	-	33,205	(33,205)	-	-
<b>Profit before taxation</b>	<b>57,575</b>	<b>-</b>	<b>57,829</b>	<b>147,130</b>	<b>-</b>	<b>-</b>	<b>59,098</b>
Taxation	(16,310)	-	(16,310)	(63,985)	-	-	(37,466)
Zakat	(2,988)	-	(2,988)	(4,825)	-	-	(4,825)
<b>Net profit for the period from continuing operations</b>							<b>16,807</b>
<b>Discontinued Operation</b>							
Operating profit derived from General business							54,827
Surplus transferred from General business							33,205
Taxation for discontinued operation							(26,519)
<b>Net profit for the period from discontinued operation</b>							<b>61,513</b>
<b>Net profit for the period</b>	<b>38,277</b>	<b>-</b>	<b>38,531</b>	<b>78,320</b>	<b>-</b>	<b>-</b>	<b>78,320</b>
<b>Basic and diluted earnings per share (sen) from :</b>							
- Continuing operations	16.57	-	16.68	19.58	-	-	4.20
- Discontinued operation	-	-	-	-	-	-	15.38

\* General takaful fund is a discontinued operation.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.

266243-D

**ETIQA FAMILY TAKAFUL BERHAD**  
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**UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	1.1.2018 to 30.6.2018			1.1.2017 to 30.6.2017			
	Shareholder's 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
<b>Net profit for the period</b>							
- Continuing operations	38,277	-	38,277	45,115	-	-	16,807
- Discontinued operation	-	-	-	33,205	-	-	61,513
	<u>38,277</u>	<u>-</u>	<u>38,277</u>	<u>78,320</u>	<u>-</u>	<u>-</u>	<u>78,320</u>
<b>Other comprehensive income:</b>							
<b>Item that may be subsequently reclassified to income statement</b>							
Net gains/(losses) on Available-for-sale ("AFS")/ Fair Value through Other Comprehensive Income ("FVOCI") financial assets:							
Gains on fair value changes	-	(90,134)	(90,134)	18,436	15,157	38,088	70,310
Realised gains transferred to income statement	-	60,733	60,733	(17,236)	(3,077)	(74,256)	(94,569)
Tax effects relating to components of other comprehensive income	-	1,986	1,986	(288)	(2,899)	2,175	(1,012)
Other comprehensive income/(loss) attributable to participants	-	27,415	27,415	-	(9,181)	33,993	24,812
<b>Other comprehensive income for the period, net of tax</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>912</u>	<u>-</u>	<u>-</u>	<u>(459)</u>
<b>Total comprehensive income for the period</b>	<u>38,277</u>	<u>-</u>	<u>38,277</u>	<u>79,232</u>	<u>-</u>	<u>-</u>	<u>77,861</u>

\* General takaful fund is a discontinued operation.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.

266243-D

ETIQA FAMILY TAKAFUL BERHAD  
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UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

	Attributable to Equity Holder of the Company			Total Equity RM'000
	Share Capital RM'000	Non-Distributable	Distributable	
		AFS / FVOCI Reserves RM'000	Retained Profits RM'000	
<b>As at 1.1.2018</b>	400,000	(25,050)	1,382,972	1,757,922
Effect of adopting MFRS 9	-	25,050	(25,054)	(4)
<b>As at 1.1.2018 (restated)</b>	400,000	-	1,357,918	1,757,918
Net profit after tax for the period	-	-	38,531	38,531
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	38,531	38,531
Capital reduction	(300,000)	-	-	(300,000)
<b>As at 30.6.2018</b>	100,000	-	1,396,449	1,496,449

	Attributable to Equity Holder of the Company			Total Equity RM'000
	Share Capital RM'000	Non-Distributable	Distributable	
		AFS Reserves RM'000	Retained Profits RM'000	
<b>As at 1.1.2017</b>	400,000	(22,455)	1,393,143	1,770,688
Net profit after tax for the period	-	-	78,320	78,320
Other comprehensive income for the period	-	(459)	-	(459)
Total comprehensive income for the period	-	(459)	78,320	77,861
<b>As at 30.6.2017</b>	400,000	(22,914)	1,471,463	1,848,549

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.

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**ETIQA FAMILY TAKAFUL BERHAD**  
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**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	<b>1.1.2018 to 30.6.2018 RM'000</b>	<b>1.1.2017 to 30.6.2017 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat		
- Continuing operations	57,575	59,098
- Discontinued operation	-	88,032
	<u>57,575</u>	<u>147,130</u>
Adjustments for:		
Depreciation of property, plant and equipment	125	164
Amortisation of intangible assets	394	370
Fair value gains on investments	133,427	14,102
Realised gains on disposal of investments	62,269	(106,404)
Allowance of impairment on investments	-	5,217
Allowance/(write back) of impairment of takaful receivables	803	(597)
Allowance/(write back) of impairment of financing receivables	107	(3)
Allowance of impairment of reinsurance assets	-	17
Profit income	(267,470)	(305,225)
Profit on subordinated obligation	-	6,724
Gross dividend income	(12,771)	(13,176)
Net (accretion)/amortisation of premiums	(771)	4,596
Increase in net contribution liabilities	-	7,335
Surplus transferred from general takaful fund	-	40,945
Surplus transferred from family takaful fund	210,432	158,120
Operating cash flows before working capital changes	<u>184,118</u>	<u>(40,685)</u>
Changes in working capital:		
Proceeds from sale of investments	3,264,754	2,937,241
Purchase of investments	(3,007,857)	(3,016,107)
Increase in takaful receivables	(40,036)	(38,184)
Decrease/(increase) in other receivables	40,377	(11,039)
(Decrease)/Increase in other payables	(166,961)	44,384
Increase in expense liabilities	(15,681)	29,488
(Decrease)/increase in takaful payables	(10,253)	22,331
Decrease in financing receivables	65	293
Increase in placements of		
deposits with financial institutions	(190,559)	(313,789)
Decrease/(increase) in retakaful assets	15,167	(46,262)
Increase in takaful certificate liabilities	75,842	282,782
Operating cash flows after working capital changes	<u>148,975</u>	<u>(149,547)</u>

**266243-D**  
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**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS (CONTD.)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

	<b>1.1.2018 to 30.06.2018 RM'000</b>	<b>1.1.2017 to 30.06.2017 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (CONTD.)</b>		
Profit income received	260,461	304,933
Gross dividend income received	11,898	13,376
Zakat paid	(2,988)	(3,461)
Taxation paid	(68,640)	(40,008)
Mudharabah paid to participants	(9,308)	(62,811)
Net cash flows generated from operating activities	<u>340,398</u>	<u>62,482</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of property, plant and equipment	129	-
Purchase of intangible assets	(643)	(465)
Purchase of property, plant and equipment	(112)	(6)
Net cash flows used in investing activities	<u>(626)</u>	<u>(471)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit paid for subordinated obligation	(6,724)	(6,724)
Capital reduction	(300,000)	-
Net cash flows used in financing activities	<u>(306,724)</u>	<u>(6,724)</u>
<b>Net increase in cash and cash equivalents</b>	<b>33,048</b>	<b>55,287</b>
Cash and cash equivalents at beginning of period	61,412	153,027
Cash and cash equivalents at end of period	<u>94,460</u>	<u>208,314</u>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances of:		
Shareholder's fund	16,852	25,146
General takaful fund	-	59,786
Family takaful fund	77,608	123,382
	<u>94,460</u>	<u>208,314</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.



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**ETIQA FAMILY TAKAFUL BERHAD**  
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

**1. CORPORATE INFORMATION**

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, Malaysia.

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.

On 1 January 2018, the MAHB Group has successfully completed the Conversion of Composite Licences to Single Licences ("Licence Split") and surrendered the composite licences in exchange for the four single licences. Consequently, the Company was renamed to Etiqa Family Takaful Berhad ("EFTB"), and will be principally engaged in the underwriting of life takaful business.

**2. BASIS OF PREPARATION**

The unaudited interim financial statements of the Company for the period ended 30 June 2018 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - *Interim Financial Reporting* as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and Islamic Financial Services Act 2013 ("IFSA 2013").

In accordance with the IFSA 2013, 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 unaudited interim financial statements of the Company have been prepared under the historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The unaudited interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTD.)**

**2. BASIS OF PREPARATION (CONTD.)**

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2017.

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

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

The unaudited interim financial statements was approved for issue by the Board of Directors on 21 August 2018 .

**3. SIGNIFICANT ACCOUNTING POLICIES**

The audited annual financial statements of the Company for the financial year ended 31 December 2017 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The significant accounting policies adopted in preparing these unaudited interim financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 December 2017 except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2018:

*MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)*

*MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)*

*MFRS 15 Revenue from Contracts with Customers*

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

*Transfer to Investment Property (Amendments to MFRS 140)*

*IC Interpretation 22 Foreign Currency Transactions and Advance Consideration*

*Annual Improvements to MFRSs 2014-2016 Cycle:*

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

*(ii) Amendments to MFRS 128 Investments in Associates and Joint Ventures*

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTD.)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

The adoption of the above new MFRSs, amendments to MFRSs, IC Interpretation and annual improvements to MFRSs do not have any significant financial impact to the Company's financial statements, except for as disclosed below:

**MFRS 9 *Financial Instruments***

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained profits, fair value through other comprehensive income reserve and takaful certificate liabilities as at 1 January 2018.

The adoption of MFRS 9 resulted in the following changes to the Company's accounting policies:

**(i) Classification and measurement**

MFRS 9 requires financial assets to be classified on the basis of two criteria:

- (1) The business model within financial assets are managed; and
- (2) The contractual cash flows characteristic.

At initial recognition, each financial assets will be classified as either amortised cost, FVOCI, or FVTPL as summarised in below table:

Amortised Cost	Fair Value	
	FVOCI	FVTPL
<ul style="list-style-type: none"> <li>• Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets will be measured at FVOCI if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.</li> <li>• Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (i.e. without recycling profit or loss upon derecognition).</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets will be measured at FVTPL if the assets that are held for trading or financial assets that qualify for neither held at amortised cost nor at FVOCI.</li> <li>• Equity instruments that were not elected for FVOCI will be measured at FVTPL.</li> </ul>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

**MFRS 9 *Financial Instruments (Contd.)***

**(i) Classification and measurement (Contd.)**

Classification and measurement 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.

**(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 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 Group and 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*.

The measurement of expected loss will involve increased complexity and judgement that include:

- Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Company will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
 FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**MFRS 9 *Financial Instruments (Contd.)***

**(ii) Impairment (Contd.)**

<b>3 Stage approach</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>
<b>ECL Approach</b>	12-month ECL	Lifetime ECL	Lifetime ECL
<b>Criterion</b>	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
<b>Recognition of interest/profit income</b>	Gross carrying amount	Gross carrying amount	Net carrying amount

• ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and the exposure at default model ("EAD"). The model is to leverage as much as possible in accordance to Maybank Group's Basel II models and performed the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Company decided to continue measure the impairment on an individual transaction basis for financial assets that are deemed to be individually significant.

• Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioural life.

• Forward looking information

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information will be based on Maybank's research arm, Maybank Kim Eng ("MKE"). In addition, the MKE Research's assumptions and analysis would also be based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTD.)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**MFRS 9 *Financial Instruments (Contd.)***

Overall, the Company anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification Company's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses.

**MFRS 15 *Revenue from Contracts with Customers***

MFRS 15 establishes a new five-step model that will apply to 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 principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that applies to revenue recognition under MFRS 15 is as follows:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 which include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company adopted the standard on its effective date, using the modified retrospective method of adoption. The standard does not apply to income or revenue associated with financial instruments scoped in MFRS 9 such as loan, advances and financing and financial investment securities.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTD.)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**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 apply the exemptions permitted under these amendments and will fully adopt MFRS 9 effective on 1 January 2018.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

In preparing these unaudited interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2017 except for the measurement of expected credit loss under MFRS 9 which involves increased complexity and judgement as disclosed in Note 3.

**5. AUDITOR'S REPORT ON STATUS OF AUDIT QUALIFICATION**

The auditor's report on the audited financial statements of the financial year ended 31 December 2017 did not contain any qualification.

**6. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The operations of the Company was not materially affected by any seasonal or cyclical factors during the interim financial period ended 30 June 2018.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (CONTD.)**

**6. SEASONALITY OR CYCLICALITY OF OPERATIONS (CONTD.)**

However, as is common for other licensed takaful operators, surplus of the family takaful fund will only be transferred at the financial year end upon approval by the Appointed Actuary.

**7. UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim financial period ended 30 June 2018.

**8. CHANGES IN ESTIMATES**

There were no material changes in estimates for the interim financial period ended 30 June 2018.

**9. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuance or repayment of debt and equity securities for the interim financial period ended 30 June 2018.(the EFTB capital reduction para. To disclose)

**10. DIVIDENDS PAID**

No dividend has been paid or declared by the Company from the previous audited financial statements.

**11. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD**

There were no material events subsequent to the end of the period reported that require disclosure or adjustments to the unaudited interim financial statements.

**12. CHANGES IN THE COMPOSITION OF THE COMPANY**

There was no change in the composition of the Company during the interim financial period ended 30 June 2018.



**266243-D**  
**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**13. INVESTMENTS**

	<b>Shareholder's fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>30.6.2018</b>			
Malaysian government papers	207,209	204,389	411,598
Debt securities	1,584,930	7,998,148	9,583,078
Equity securities	140,710	784,731	925,441
Unit and property trust funds	-	346	346
Investment-linked units	24,978	-	-
Deposits with financial institutions	137,132	746,077	883,209
	<u>2,094,959</u>	<u>9,733,691</u>	<u>11,803,672</u>
<b>31.12.2017</b>			
Malaysian government papers	226,964	202,793	429,757
Debt securities	1,925,830	7,880,121	9,805,951
Equity securities	129,806	908,007	1,037,813
Unit and property trust funds	-	1,143	1,143
Investment-linked units	25,233	-	-
Negotiable Islamic certificates of deposit ("NICD")	-	128,157	128,157
Deposits with financial institutions	109,672	582,977	692,649
	<u>2,417,505</u>	<u>9,703,198</u>	<u>12,095,470</u>

**266243-D**  
**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**13. INVESTMENTS (CONTD.)**

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

	<b>Shareholder's fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>30.6.2018</b>			
Fair value through profit and loss ("FVTPL"):			
- Designated upon initial recognition	1,792,139	5,348,123	7,115,284
- Held for trading ("HFT")	165,688	817,476	983,164
FVOCI	-	2,822,015	2,822,015
Amortised Cost ("AC")	137,132	746,077	883,209
	<u>2,094,959</u>	<u>9,733,691</u>	<u>11,803,672</u>
<b>31.12.2017</b>			
Fair value through profit and loss ("FVTPL"):			
- Designated upon initial recognition	-	5,156,269	5,156,269
- Held for trading ("HFT")	-	80,289	80,289
AFS	2,307,833	3,883,663	6,166,263
Loans and receivables ("LAR")	109,672	582,977	692,649
	<u>2,417,505</u>	<u>9,703,198</u>	<u>12,095,470</u>

The following investments will mature after 12 months:

	<b>Shareholder's fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>30.6.2018</b>			
FVTPL - Designated upon initial recognition	1,777,093	5,105,648	6,882,741
FVOCI	-	2,756,746	2,756,746
	<u>1,777,093</u>	<u>7,862,394</u>	<u>9,639,487</u>
<b>31.12.2017</b>			
FVTPL			
- Designated upon initial recognition	-	4,916,895	4,916,895
- HFT	-	23,473	23,473
AFS	2,152,794	2,956,574	5,109,368
	<u>2,152,794</u>	<u>7,896,942</u>	<u>10,049,736</u>

266243-D  
**ETIQA FAMILY TAKAFUL BERHAD**  
 (Formerly known as Etiqa Takaful Berhad)  
 (Incorporated in Malaysia)

**13. INVESTMENTS (CONTD.)**

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
<b>(i) FVTPL</b>			
<b>(a) Designated upon initial recognition</b>			
<b>30.6.2018</b>			
<u>At fair value</u>			
Malaysian government papers	207,209	120,899	328,108
Unquoted debt securities in Malaysia	1,584,930	5,227,224	6,812,154
	<u>1,792,139</u>	<u>5,348,123</u>	<u>7,140,262</u>
<b>31.12.2017</b>			
<u>At fair value</u>			
Malaysian government papers	-	140,809	140,809
Unquoted debt securities in Malaysia	-	4,907,022	4,907,022
NICD	-	108,438	108,438
	<u>-</u>	<u>5,156,269</u>	<u>5,156,269</u>
<b>(b) HFT</b>			
<b>30.6.2018</b>			
<u>At fair value</u>			
Malaysian government papers	-	7,003	7,003
Unquoted debt securities in Malaysia	-	25,396	25,396
Quoted equity securities in Malaysia	140,710	784,731	925,441
Quoted unit and property trust funds in Malaysia	-	346	346
Investment-linked units	24,978	-	-
	<u>165,688</u>	<u>817,476</u>	<u>958,186</u>

266243-D  
**ETIQA FAMILY TAKAFUL BERHAD**  
 (Formerly known as Etiqa Takaful Berhad)  
 (Incorporated in Malaysia)

**13. INVESTMENTS (CONTD.)**

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
<b>(i) FVTPL (Contd.)</b>			
<b>(b) HFT (Contd.)</b>			
<b>31.12.2017</b>			
<u>At fair value</u>			
Malaysian government papers	-	4,704	4,704
Unquoted debt securities in Malaysia	-	18,769	18,769
Quoted equity securities in Malaysia	-	56,308	56,308
Quoted unit and property trust funds outside Malaysia	-	508	508
	-	80,289	80,289
Total FVTPL financial assets 30.6.2018	1,957,827	6,165,599	8,098,448
Total FVTPL financial assets 31.12.2017	-	5,236,558	5,236,558

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
<b>(ii) FVOCI</b>			
<b>30.6.2018</b>			
<u>At fair value</u>			
Malaysian government papers	-	76,487	76,487
Unquoted debt securities in Malaysia	-	2,745,528	2,720,550
Total FVOCI financial assets	-	2,822,015	2,797,037

Movements in the allowances for impairment losses on financial assets at FVOCI are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 1.1.2018				
Effect of adopting MFRS 9	1,365	42	-	1,407
New financial assets originated at purchased	(40)	(1)	-	(41)
As at 30.6.2018	1,325	41	-	1,366

266243-D  
**ETIQA FAMILY TAKAFUL BERHAD**  
 (Formerly known as Etiqa Takaful Berhad)  
 (Incorporated in Malaysia)

**13. INVESTMENTS (CONTD.)**

	<b>Shareholder's fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>(iii) AC</b>			
<b>30.6.2018</b>			
<b>Deposits and placements with financial institution</b>			
Islamic investment accounts with:			
Licensed financial institutions	120,432	498,857	619,289
Others	16,700	247,220	263,920
Total AC financial assets	<u>137,132</u>	<u>746,077</u>	<u>883,209</u>
	<b>Shareholder's fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>(iv) AFS</b>			
<b>31.12.2017</b>			
<u>At fair value</u>			
Malaysian government papers	226,964	57,280	284,244
Unquoted debt securities in Malaysia	1,925,830	2,954,330	4,880,160
Quoted equity securities in Malaysia	129,806	851,699	981,505
Quoted unit and property trust funds in Malaysia	-	635	635
Investment-linked units	25,233	-	-
NICD	-	19,719	19,719
Total AFS financial assets	<u>2,307,833</u>	<u>3,883,663</u>	<u>6,166,263</u>
	<b>Shareholder's fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>(v) LAR</b>			
<b>31.12.2017</b>			
<b>Deposits and placements with financial institutions</b>			
Islamic investment accounts with:			
Licensed financial institutions	73,120	512,387	585,507
Others	36,552	70,590	107,142
Total LAR financial assets	<u>109,672</u>	<u>582,977</u>	<u>692,649</u>

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

Included in the LAR are assets pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic Berhad which amounted to RM3,000,000 (31.12.2017: 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 19(c) of the unaudited interim financial statements.

**266243-D**  
**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**14. RETAKAFUL ASSETS**

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Family takaful fund</b>		
Retakaful operators' share of certificate liabilities (Note 16)	<u>63,915</u>	<u>79,085</u>

**15. PARTICIPANTS' FUNDS**

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Family takaful fund</b>		
Accumulated surplus (Note (i))	1,918,076	1,723,241
Surplus attributable to participants (Note (ii))	1,303,437	1,303,437
FVOCI/AFS reserves (Note (iii))	(52,105)	(28,401)
	<u>3,169,408</u>	<u>2,998,277</u>

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Accumulated surplus</b>		
As at 1.1.2018/1.1.2017	1,723,241	2,738,884
Effect of adopting MFRS 9	(6,288)	-
As at 1.1.2018 (restated)/1.1.2017	<u>1,716,953</u>	<u>2,738,884</u>
Surplus arising during the year	210,432	240,313
Surplus attributable to participants during the period/year	-	(1,227,855)
Hibah paid to participants during the period/year	(9,309)	(28,101)
As at 30.6.2018/31.12.2017	<u>1,918,076</u>	<u>1,723,241</u>

266243-D  
**ETIQA FAMILY TAKAFUL BERHAD**  
 (Formerly known as Etiqa Takaful Berhad)  
 (Incorporated in Malaysia)

**15. PARTICIPANTS' FUNDS (CONTD.)**

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>

**Family takaful fund (Contd.)**

**(ii) Surplus attributable to participants**

As at 1.1.2018/1.1.2017	1,303,437	75,582
Surplus attributable to participants during the period/year	-	1,227,855
As at 30.6.2018/31.12.2017	<u>1,303,437</u>	<u>1,303,437</u>

<b>30.6.2018</b>	<b>31.12.2017</b>
<b>RM'000</b>	<b>RM'000</b>

**(iii) FVOCI / AFS reserves**

As at 1.1.2018/1.1.2017	(28,401)	9,809
Effect of adopting MFRS 9	3,711	-
As at 1.1.2018 (restated)/1.1.2017	<u>(24,690)</u>	<u>9,809</u>
Net gain on fair value changes	(90,134)	68,640
Realised gain transferred to income statement	60,733	(109,363)
Deferred tax on fair value changes	1,986	2,513
As at 30.6.2018/31.12.2017	<u>(52,105)</u>	<u>(28,401)</u>

**16. TAKAFUL CERTIFICATE LIABILITIES**

<b>Company</b>	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		(Note 14)	
<b>30.6.2018</b>			
Family takaful fund	6,874,883	(63,915)	6,810,968
Less: Seed money elimination	(21,000)	-	(21,000)
	<u>6,853,883</u>	<u>(63,915)</u>	<u>6,789,968</u>
<b>31.12.2017</b>			
Family takaful fund	6,799,229	(79,085)	6,720,144
Less: Seed money elimination	(21,000)	-	(21,000)
	<u>6,778,229</u>	<u>(79,085)</u>	<u>6,699,144</u>

**266243-D**  
**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**16. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

**Family takaful fund**

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

	<b>Gross RM'000</b>	<b>Retakaful RM'000 (Note 14)</b>	<b>Net RM'000</b>
<b>30.6.2018</b>			
Claims liabilities	179,665	(10,480)	169,185
Actuarial liabilities	6,554,196	(53,435)	6,500,761
NAV attributable to unitholders	141,022	-	141,022
	<u>6,874,883</u>	<u>(63,915)</u>	<u>6,810,968</u>
<b>31.12.2017</b>			
Claims liabilities	163,743	(9,445)	154,298
Actuarial liabilities	6,529,879	(69,640)	6,460,239
NAV attributable to unitholders	105,607	-	105,607
	<u>6,799,229</u>	<u>(79,085)</u>	<u>6,720,144</u>



266243-D

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**16. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)**

(b) Family takaful fund (CONTD.)

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

	<b>Claims Liabilities RM'000</b>	<b>Actuarial Liabilities RM'000</b>	<b>NAV Attributable to Unitholders RM'000</b>	<b>Gross Liabilities RM'000</b>	<b>Retakaful Assets RM'000</b>	<b>Net Liabilities RM'000</b>
<b>30.6.2018</b>						
As at 1.1.2018	163,743	6,529,879	105,607	6,799,229	(79,085)	6,720,144
Net earned contribution	-	-	53,710	53,710	(35,287)	18,423
Other revenue	-	-	(6,295)	(6,295)	-	(6,295)
Experience/benefit variation	2,206	-	(109)	2,097	9,243	11,340
Claims intimated during the period	426,322	(426,322)	-	-	(1,035)	(1,035)
Claims paid during the period	(412,606)	-	(11,623)	(424,229)	26,044	(398,185)
Other expenses	-	-	(843)	(843)	-	(843)
Taxation	-	-	575	575	-	575
Increase in certificate reserves	-	450,639	-	450,639	16,205	466,844
As at 30.6.2018	<u>179,665</u>	<u>6,554,196</u>	<u>141,022</u>	<u>6,874,883</u>	<u>(63,915)</u>	<u>6,810,968</u>
<b>31.12.2017</b>						
As at 1.1.2017	152,003	6,158,453	30,583	6,341,039	(49,675)	6,291,364
Net earned contribution	-	-	79,763	79,763	(63,031)	16,732
Other revenue	-	-	4,625	4,625	-	4,625
Experience/benefit variation	(445)	-	(9)	(454)	27,801	27,347
Claims intimated during the year	766,932	(766,932)	-	-	(89)	(89)
Claims paid during the year	(754,747)	-	(8,533)	(763,280)	35,228	(728,052)
Other expenses	-	-	(492)	(492)	-	(492)
Taxation	-	-	(330)	(330)	-	(330)
Increase in certificate reserves	-	1,138,358	-	1,138,358	(29,319)	1,109,039
As at 31.12.2017	<u>163,743</u>	<u>6,529,879</u>	<u>105,607</u>	<u>6,799,229</u>	<u>(79,085)</u>	<u>6,720,144</u>

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**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**17. 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:

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Within 1 year	5,192	10,627
After 1 year but not more than 5 years	19,393	38,971
	<u>24,585</u>	<u>49,598</u>

**18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES 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.

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)**

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

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
<b>Income/(expenses):</b>			
<b>1.1.2018 to 30.6.2018</b>			
Ultimate holding company:			
Gross takaful contribution income	-	6,599	6,599
Other fee income	325	-	325
Commission and fee expenses	(8,130)	-	(8,130)
Investment advisory fee	(87)	(469)	(556)
Holding company:			
Gross takaful contribution income	-	776	776
Shared service costs	(6,303)	-	(6,303)
Other related companies within the MBB group:			
Gross takaful contribution income	-	1,151	1,151
Profit income	310	2,268	2,578
Commissions and fee expenses	(16,302)	-	(16,302)
Maybank shared service - information technology expenses	(1,094)	-	(1,094)
Other income	15	-	15
Other expenses	(51)	-	(51)
Fellow subsidiaries within the MAHB Group :			
Gross takaful contribution income	-	273	273
Shared service costs	(18,004)	-	(18,004)
Rental expenses	(2,414)	-	(2,414)
Companies with significant influence over the MBB Group:			
Gross takaful contribution income	-	4,512	4,512
Interest on subordinated obligation	(1,793)	-	(1,793)

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)**

	Shareholder's fund RM'000	* General takaful fund RM'000	Family takaful fund RM'000	** Company RM'000
<b>Income/(expenses)</b>				
<b>1.1.2017 to 30.6.2017</b>				
Ultimate holding company:				
Gross takaful contribution income	-	-	6,365	6,365
Commission and fee expenses	(28,895)	(115)	(847)	(29,742)
Penultimate holding company:				
Gross takaful contribution income	-	-	2	2
Holding company:				
Gross takaful contribution income	-	41	20	20
Shared service costs	(4,945)	-	-	(4,945)
Fellow subsidiaries within the MAHB Group:				
Gross takaful contribution income	-	-	509	509
Rental expense	(4,058)	-	(613)	(4,671)
Shared service costs	(30,356)	-	-	(30,356)
Investment advisory fee	(10)	(1)	(83)	(94)
Other related companies within the MBB Group:				
Profit income on deposits	1,130	2,236	5,506	8,872
Gross takaful contribution income	-	961	1,768	2,729
Maybank shared service IT expenses	(4,060)	-	(551)	(4,611)
Commission and fee expenses	22	-	-	22
Other expenses	(51)	-	-	(51)
Companies with significant influence over the MBB Group:				
Interest on subordinated obligation	(1,793)	-	-	(1,793)

\* General takaful fund is a discontinued operation.

\*\* Company represents Family Takaful and the Takaful Operators' income and expenses only, net of elimination and excludes the General Takaful income and expenses

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)**

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

<b>30.6.2018</b>	<b>Shareholder's fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>	
Ultimate holding company:				
Bank balances	16,813	58,223	75,036	
Other payables	(6,506)	(22)	(6,528)	
Holding company:				
Other receivables	38	-	38	
Other payables	(714)	-	(714)	
Fellow subsidiaries within the MAHB Group:				
Other receivables	6,325	-	6,325	
Other payables	(9,062)	-	(9,062)	
Other related companies within the MBB Group:				
Islamic investment accounts	13,000	115,590	128,590	
Income and profit due and accrued	130	113	243	
Other payables	(461)	-	(461)	
Companies with significant influence over the MBB Group:				
Subordinated obligations	(80,317)	-	(80,317)	
<b>31.12.2017</b>	<b>Shareholder's fund RM'000</b>	<b>*General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>**Company RM'000</b>
Ultimate holding company:				
Bank balances	15,929	32,352	34,276	50,205
Takaful receivables	-	-	207	207
Takaful payables	-	(2)	-	-
Other receivables	2,229	-	-	2,229
Other payables	(9,714)	(96)	(616)	(10,330)
Holding company:				
Other payables	(1,091)	-	-	(1,091)
Fellow subsidiaries within the MAHB Group:				
Takaful payables	-	-	(2)	(2)
Other receivables	5,045	-	-	5,045
Other payables	(10,549)	-	-	(10,549)

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)**

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

31.12.2017	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	71	48	518	589
Islamic investment accounts	48,120	100,001	372,133	420,253
Takaful receivables	-	82	229	229
Takaful payables	-	(2)	(5)	(5)
Other receivables	3,102	-	-	3,102
Other payables	(65)	-	-	(65)
Companies with significant influence over the MBB Group:				
Takaful receivables	-	35	(27)	(27)
Takaful payables	-	(922)	-	-
Subordinated obligations	(80,317)	-	-	(80,317)

\* General takaful fund is a discontinued operation.

\*\* Company represents Family Takaful and the Takaful Operators' assets and liabilities only, net of elimination and excludes the General Takaful assets and liabilities.

**(c) Key management personnel compensation**

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 includes Executive Directors and CEO.

(i) The remuneration of key management personnel during the period was as follows:

	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
<b>Short-term employee benefits</b>		
- Salaries, allowances and bonuses	554	-
- EPF and pension scheme	89	-
- Other emoluments and benefits-in-kind	7	-
	<u>650</u>	<u>-</u>

## **19. FAIR VALUE 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 Company 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 generally 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 into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

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

## 19. FAIR VALUE MEASUREMENTS (CONTD.)

### (a) Valuation principles (Contd.)

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

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

Examples of level 2 financial instruments include corporate and government bonds, less liquid equities and over-the-counter ("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, private equity investments and investment properties.

### (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 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 amounts of the financing receivables approximate their fair values as the impact of discounting is not material.

#### (iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the Company's accounting policies. The carrying amounts approximate fair values due to the short-term maturity of these financial instruments.

#### (iv) Investments

Investments have been accounted for in accordance with the Company's accounting policies. The carrying amounts and fair values of investments are disclosed in Note 13.



**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**19. FAIR VALUE MEASUREMENTS (CONTD.)**

**(c) Fair value measurements and classification within the fair value hierarchy**

**Shareholder's Fund**

	Valuation techniques			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>30.6.2018</b>				
<u>Assets</u>				
<b>FVTPL financial investments</b>				
<b>(i) Designated upon initial recognition</b>				
Malaysian government papers	-	207,209	-	207,209
Unquoted debt securities in Malaysia	-	1,584,930	-	1,584,930
<b>(ii) HFT</b>				
Quoted equity securities in Malaysia	140,710	-	-	140,710
Investment-linked unit:	24,978	-	-	24,978
	<b>165,688</b>	<b>1,792,139</b>	-	<b>1,957,827</b>
<b>31.12.2017</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	226,964	-	226,964
Unquoted debt securities in Malaysia	-	1,925,830	-	1,925,830
Quoted equity securities in Malaysia	129,806	-	-	129,806
Investment-linked units	25,233	-	-	25,233
	<b>155,039</b>	<b>2,152,794</b>	-	<b>2,307,833</b>

**ETIQA FAMILY TAKAFUL BERHAD**  
 (Formerly known as Etiqa Takaful Berhad)  
 (Incorporated in Malaysia)

**19. FAIR VALUE MEASUREMENTS (CONTD.)**

**(c) Fair value measurements and classification within the fair value hierarchy (Contd.)**

**General takaful fund - Discontinued operations**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>31.12.2017</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	340,197	-	340,197
Unquoted debt securities in Malaysia	-	1,142,232		1,142,232
Quoted equity securities in Malaysia	12,668	-	-	12,668
	<u>12,668</u>	<u>1,482,429</u>	<u>-</u>	<u>1,495,097</u>

**ETIQA FAMILY TAKAFUL BERHAD**  
 (Formerly known as Etiqa Takaful Berhad)  
 (Incorporated in Malaysia)

**19. FAIR VALUE MEASUREMENTS (CONTD.)**

**(c) Fair value measurements and classification within the fair value hierarchy (Contd.)**

**Family takaful fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>30.6.2018</b>				
<u>Assets</u>				
<b>FVTPL financial investments</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	120,899	-	120,899
Unquoted debt securities in Malaysia	-	5,227,224	-	5,227,224
<b>- HFT</b>				
Malaysian government papers	-	7,003	-	7,003
Unquoted debt securities in Malaysia	-	25,396	-	25,396
Quoted equity securities in Malaysia	784,731	-	-	784,731
<b>Financial investments at FVOCI</b>				
Malaysian government papers	-	76,487	-	76,487
Unquoted debt securities in Malaysia	-	2,745,528	-	2,745,528
	<u>784,731</u>	<u>5,380,522</u>	<u>-</u>	<u>6,165,253</u>

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**19. FAIR VALUE MEASUREMENTS (CONTD.)**

**(c) Fair value measurements and classification within the fair value hierarchy (Contd.)**

**Family takaful fund**

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Non Observable inputs RM'000	
<b>31.12.2017</b>				
<u>Assets</u>				-
<b>Financial investments at FVTPL</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	140,809	-	140,809
Unquoted debt securities in Malaysia	-	4,907,022	-	4,907,022
NICD	-	108,438	-	108,438
<b>- HFT</b>				
Malaysian government papers	-	4,704	-	4,704
Unquoted debt securities in Malaysia	-	18,769	-	18,769
Quoted equity securities in Malaysia	56,308	-	-	56,308
Quoted unit and property trust funds outside Malaysia	508	-	-	508
<b>AFS financial investments</b>				
Malaysian government papers	-	57,280	-	57,280
Unquoted debt securities in Malaysia	-	2,954,330	-	2,954,330
Quoted equity securities in Malaysia	851,699	-	-	851,699
Quoted unit and property trust funds in Malaysia	635	-	-	635
NICD	-	19,719	-	19,719
	<b>909,150</b>	<b>8,211,071</b>	<b>-</b>	<b>9,120,221</b>

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**19. FAIR VALUE MEASUREMENTS (CONTD.)**

**(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 hierarchy 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 period ended 30 June 2018.

**(e) Movements of Level 3 instruments**

	<u>General Takaful Fund</u>	<u>Family Takaful Fund</u>	
	<u>Discontinued operations</u>		
	<u>Financial instruments</u>	<u>Financial instruments</u>	
	<u>measured at fair value</u>	<u>measured at fair value</u>	
	AFS	AFS	Designated
	RM'000	RM'000	at FVTPL
			RM'000
As at 1.1.2017	4,290	31,812	18,913
Recognised in income statement:			
Realised loss	187	1,387	825
Fair value gain/(loss)	-	-	(5,091)
Recognised in other comprehensive income			
as fair value gain:	(1,155)	(8,563)	-
Disposals	(3,322)	(24,636)	(14,647)
As at 31.12.2017/30.6.2018	<u>-</u>	<u>-</u>	<u>-</u>
Total gains or losses recognised in			
income statement for financial instruments			
measured at fair value at the end of the			
reporting period	<u>187</u>	<u>1,387</u>	<u>(4,266)</u>
Total gains or losses recognised in other			
comprehensive income for financial instruments			
measured at fair value at the end of the			
reporting period	<u>(1,155)</u>	<u>(8,563)</u>	<u>-</u>

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**19. FAIR VALUE MEASUREMENTS (CONTD.)**

**(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.

**20. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 30 June 2018 and 31 December 2017, as prescribed under the RBCT Framework, is provided below:

<b>Company</b>	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Paid up share capital	100,000	400,000
Valuation surplus in takaful funds	1,400,426	1,919,543
Retained earnings	<u>1,918,076</u>	<u>1,382,972</u>
	<u>3,418,502</u>	<u>3,702,515</u>
<b>Tier 2 Capital</b>		
Available-for-sale reserves	(52,105)	(61,971)
Subordinated obligation	<u>300,000</u>	<u>300,000</u>
	<u>247,895</u>	<u>238,029</u>
Amount deducted from capital	<u>(38,776)</u>	<u>(26,567)</u>
Total Capital Available	<u>3,627,621</u>	<u>3,913,977</u>

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**21. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS**

(i) The adoption of MFRS 9 resulted in the following financial effects to the related statement of financial position items of the Company:

	31.12.2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1.1.2018 RM'000
<b>Shareholder's fund</b>				
<b>Assets</b>				
Financing receivables	17,197	-	(5)	17,192
Deferred tax assets	3,875	-	1	3,876
<b>Equities</b>				
AFS Reserves	(25,050)	25,050	-	-
Retained earnings	1,382,972	(25,050)	(4)	1,357,918
<b>Family takaful fund</b>				
<b>Assets</b>				
Investments	9,703,198	-	-	9,703,198
Takaful receivables	78,672	-	(565)	78,107
Other receivables	260,183	-	(694)	259,489
Deferred tax assets	12,094	-	1	12,095
<b>Liabilities</b>				
Participants' funds				
- Accumulated surplus	1,723,241	(3,711)	(1,258)	1,718,272
- AFS Reserves	(28,401)	28,401	-	-
- FVOCI Reserves	-	(24,690)	-	(24,690)

**ETIQA FAMILY TAKAFUL BERHAD**  
**(Formerly known as Etiqa Takaful Berhad)**  
**(Incorporated in Malaysia)**

**21. FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D)**

(ii) The following table analyses the impact, net of tax, of transition to MFRS 9 on the opening balance of participants' funds and retained earnings of the Company:

	<b>RM'000</b>
<b>Family takaful fund/Company</b>	
<b>Participants' funds - Accumulated surplus</b>	
As at 31.12.2017	1,723,241
Transfer from participants' funds - AFS/FVOCI reserves	(3,711)
Recognition of expected credit loss	(1,259)
Deferred tax in respect of expected credit loss	1
As at 1.1.2018	<u>1,718,272</u>
<b>Participants' funds - AFS/FVOCI reserve</b>	
As at 31.12.2017	(28,401)
Transfer to participants' funds - accumulated surplus	3,711
As at 1.1.2018	<u>(24,690)</u>
<b>Company</b>	
<b>Retained earnings</b>	
As at 31.12.2017	1,382,972
Transfer from AFS reserve	(25,050)
Recognition of expected credit loss	(5)
Deferred tax in respect of expected credit loss	1
As at 1.1.2018	<u>1,357,918</u>